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Canada, Beauharnois Power Project
Special Cttee on (House)

SESSION 1931

HOUSE OF COMMONS

SPECIAL COMMITTEE

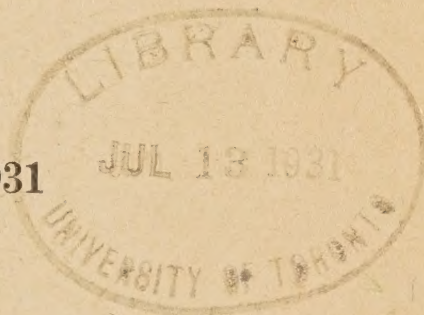
ON

BEAUHARNOIS POWER PROJECT

MINUTES OF PROCEEDINGS AND EVIDENCE

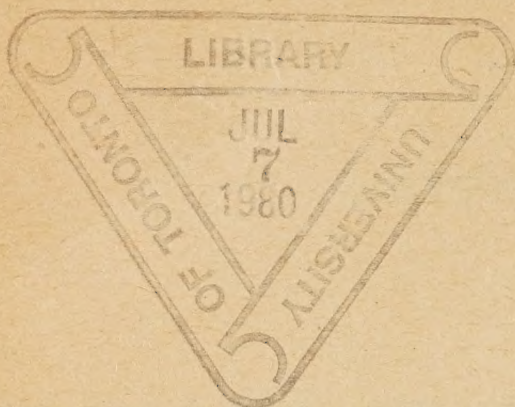
No. 11

THURSDAY, JULY 9, 1931



WITNESS:

Mr. Hugh B. Griffith, Secretary Treasurer, Beauharnois Power Corporation,
Limited.



EXHIBITS FILED

No. 70—Copy of memorandum of agreement, November 6, 1929, between B.L.H. and P. Co. and Beauharnois Construction Company.

No. 71—Beauharnois Power Corporation, Limited. Prospectus re issue of \$30,000,000 30 year 6 per cent bonds. Newman, Sweezey & Co., Ltd., Montreal.

No. 72—Beauharnois Power Syndicate. Balance Sheet, December 17, 1929.

No. 73—Copy of Trust Deed of Hypothec, Mortgage and Pledge *re* \$30,000,000 30 year 6 per cent bonds. Beauharnois Power Corporation, Limited, to The Royal Trust Company.

MINUTES OF PROCEEDINGS

THURSDAY, July 9, 1931.

The Special Committee appointed to investigate the Beauharnois Power Project met at 11 a.m. Hon. Mr. Gordon, the Chairman, presided.

Members present: Messrs. Dorion, Fiset (Sir Eugene), Gardiner, Gordon, Jacobs, Jones, Lennox, Mackenzie (*Vancouver Centre*), Stewart (*Lethbridge*).

Mr. Hugh B. Griffith, Secretary-Treasurer, Beauharnois Power Corporation, Limited, was called and further examined. During the examination, Mr. White, K.C., of counsel for the Committee, filed:—

Exhibit No. 70—Copy of memorandum of agreement, November 6, 1929, between B.L.H. and P. Co. and Beauharnois Construction Company.

Exhibit No. 71—Beauharnois Power Corporation, Limited. Prospectus re issue of \$30,000,000 30 year 6 per cent bonds. Newman, Sweezy & Co., Ltd., Montreal.

The Committee adjourned at 1 p.m. until 2.30 p.m.

The Committee resumed at 2.30 p.m.

Members present: Messrs. Dorion, Fiset (Sir Eugene), Gardiner, Gordon, Jacobs, Jones, Lennox, Mackenzie (*Vancouver Centre*), Stewart (*Lethbridge*).

The examination of Mr. Griffith was continued.

Mr. White, K.C., filed:—

Exhibit No. 72—Beauharnois Power Syndicate. Balance Sheet, December 17, 1929.

Exhibit No. 73—Copy of Trust Deed of Hypothec, Mortgage and Pledge re \$30,000,000 30 year 6 per cent bonds. Beauharnois Power Corporation, Limited, to The Royal Trust Company.

Mr. Griffith retired.

The Committee adjourned until to-morrow at 10.30 a.m.

JOHN T. DUN,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,

THURSDAY, July 9, 1931.

The Select Special Committee appointed to investigate the Beauharnois Power Project met at 11 o'clock, Hon. W. A. Gordon presiding.

Appearances:—

Peter White, K.C., Louis Morin, K.C., D. H. L. Symmes, for the Committee.

I. F. Hellmuth, K.C., G. H. Montgomery, K.C., L. A. Forsythe, K.C., for the Beauharnois Company.

J. R. L. Starr, K.C., for Senator McDougald.

Hon. Lucien Cannon, K.C., for the province of Quebec.

Lucien Morand, K.C., for the Royal Trust Company.

Mr. WHITE: I thought I ought to point out on opening this morning a matter which developed out of yesterday's evidence. It is a simple mathematical calculation, but it has not been put down on the notes in this form. The price which Mr. Jones received for his shares in the syndicate, his part interest, \$550, which, if one analyses—whether this was the basis or not, I am not suggesting—it works out to \$150 per share, and \$10 per share for each of the forty shares that went with the \$150 on the division of the syndicate assets; that is, one share at \$150 in cash and 40 shares at \$10, which is \$400, the two added together make \$550.

I have been handed by my learned friend, Mr. Morin, a circular of a firm of brokers in Toronto, Messrs. Doherty Roadhouse and Company, dated July 6, 1931. It is called "Special financial news by our New's Service Department," in which it says:

The whole question of Beauharnois Power Development may ultimately go to the Privy Council. Peter White, Government counsel, declares that Beauharnois is the largest single power unit in the world, worth \$390,000,000, built at a cost of \$75,000,000.

It must have been in my sleep, or in a state of unconsciousness that I made that statement.

Mr. STARR: Are you rising to a question of privilege?

Mr. WHITE: I thought I ought to bring it to the attention of the committee, and probably the press, and to say that I have not made any such statement.

HUGH B. GRIFFITH, recalled.

Mr. WHITE: Exhibit 53 are the minutes of the Beauharnois Light, Heat and Power Company which you will recall was incorporated—

Mr. GRIFFITH: I was wondering if I might have the privilege of following, as you read from the minute book, otherwise I have no copy available.

Mr. WHITE: Mr. Symmes and I have covered these minutes, and while it may be a bit tedious, I trust the committee will feel that I am not calling attention to anything that does not appear of some moment.

The company, as I was about to say, was incorporated in 1902, and the first meeting was held on the 22nd April of that year.

Mr. LENNOX: The minutes of what company?

Mr. WHITE: The Beauharnois Light, Heat and Power Company. Incorporation, you will remember, being by special act of the legislature of Quebec, which is filed as an exhibit. The persons present at that meeting were all of the provisional directors except W. H. Robert, the others being J. B. Robert, E. B. Greenshields, Edward C. B. Featherstonhaugh, and Charles James Fleet.

Shares were allotted as follows: Joseph B. Robert, 7 shares; William H. Robert, one share; Edward B. Greenshields, one share; Charles James Fleet, one share; and Edward Charles Barry Featherstonhaugh, one share. The bylaws of the company were adopted, numbered in paragraphs from one to sixteen inclusive.

The next meeting of shareholders was held on the 22nd day of April, 1902, at which there were present J. B. Robert and W. H. Robert, by proxy, and Mr. Edward Black Greenshields, Edward Charles Barry Featherstonhaugh and Charles James Fleet were present in person, the two proxies and those present in person, constituting all the shareholders of the company. The by-laws were approved and this resolution was passed:

That the directors be authorized for and on behalf of the company to purchase from Messrs. Joseph Bartholomew Robert and William Henry Robert of Beauharnois the whole or such portion as they may deem advisable of the property of the said J. B. Robert and W. H. Robert for such price and on such terms and conditions as they may deem best and to secure the purchase price in any way.

On the 22nd April, 1902, a meeting of directors was held, and this motion was passed:—

Whereas Mr. Joseph Bartholomew Robert has offered to sell to the company certain real property as follows to wit:—

and then there follows certain specified property, which we discussed to some extent the other day, and which I promised to have analyzed comparatively with the property which was the subject of the agreement later between Robert and Mr. Swezey. The purchase price is \$400,000, payable, \$200 in cash, and the balance on the first day of September next.

The next meeting is on the 27th of July, 1909. Apparently there was a hibernation for seven years. I suppose those were the seven lean years. At that meeting all that took place was notification that Mr. Greenshields and Mr. Featherstonhaugh had ceased to be directors by reason of having transferred their interest. Apparently Mrs. Robert and Miss S. M. Robert were elected directors,—in 1909 the company being still a family formation.

In July, 1909, another meeting was held, at which there were present all the directors.

The CHAIRMAN: What was the date of that meeting, Mr. White?

Mr. WHITE: July 27th, 1909. At that meeting the following resolution was passed:—

That the Company sell to Mr. W. H. Robert the property described in a certain deed of sale prepared by Mr. W. de M. Marler, whereof the draft is before the meeting and is approved being part of the undivided portion of the lot 559,

and so on. Then, certain other resolutions in reference to copy, the consideration of the sale of the property carries with it water power by preference equal to 250 horse power and the consideration is \$6,500, payable in the years from the 15th day of May, 1909, with interest, until the date of payment at six per

cent, and an annuity of three hundred dollars payable to the company during the life of Mrs. J. B. Robert. The next piece of property is a farm comprising lot No. 266 of the parish of St. Clement, lot 565 of the town of Beauharnois and all the rights of the said W. H. Robert in a part of lot 566 of the town of Beauharnois for two hundred thousand dollars, (\$200,000). There is a purchase from Robert of these properties for \$200,000 payable the first day of September, 1909.

Then a further resolution that J. A. Robert one of the directors be authorized to become party to an agreement prepared by the said William de M. Marler and of which a draft was submitted to the meeting between Mrs. J. B. Robert and W. H. Robert, J. A. Robert and Miss Sarah Mary Robert, whereby the parties assign and transfer unto Mrs. J. B. Robert and Miss Sarah Mary Robert so much as may be necessary of the amount in principal and interest payable to the widow and representatives of the late Joseph Bartholomew Robert by this company under the deed of the 14th of May, 1902, to meet the payments therein specified to be made.

Then, the next meeting is on the third of January, 1910, which authorized the borrowing of \$12,000.

On the 4th January, 1910, there is a provision that certain officers of the company be authorized to receive \$6,500 for the purchasing of a piece of property and to disburse \$5,800 and \$700 as indicated.

A meeting of the 14th March, 1910, says, "as copy of the bill now before the Quebec legislature for amendment of the company's charter was laid before the meeting and it was duly moved and seconded and resolved unanimously:—

That the bill asking for amendments to the company's charter now before the Quebec Legislature of which notice has been given in the Quebec Official Gazette and in sundry newspapers, be and the same is approved, and that Messrs. Fleet, Falconer, Oughtred, Phelan, Williams and Bovey be and they are hereby authorized to take all such steps as they may think necessary or as they may be directed by the Board of Directors of the company to secure the passing of the said bill with such amendments as they may think best.

That the signing and sealing of the said bill by W. H. Robert and Wilfrid Bovey on behalf of the Company, be and the same is hereby declared to have been authorized and be ratified.

By Mr. White:

Q. Mr. Griffith, I have forgotten when the shares in this company were acquired by Mr. Swezey.—A. On the 3rd February, 1927.

Q. The 3rd February, 1927?—A. That is correct, sir.

Q. Not until then?—A. No.

Q. So that in 1910 this was still Robert?—A. We had no interest in it.

Then, there was a meeting of directors on the 4th October, 1912, at which they appeared to have been all present; and there is a resolution that the company will transfer and assign to the Howard Smith Paper Co. Limited, the following immovable property and rights, a certain lot, 556 in the town of Beauharnois, a description of which is here, and the right to a siding as described, for \$10,000 in cash.

Q. Then, on the 25th or is it the 20th, Mr. Griffith— —A. We will call it the 25th, then, Mr. White.

Q. All right. The stenographer put it down both ways to be perfectly clear about it. At that meeting, on the 25th March, 1917, it was resolved to convey to W. H. Robert, lots 5, 6 and 7 and lot No. 556 in part execution of an agreement and it is declared that W. H. Robert has been in possession of the said property since July, 1915; that the buildings on these lots were erected by

him, and any claim for damages against the town of Beauharnois in connection with these lots, is transferred to Mr. Robert and it is subrogated to the rights of the company.

Paragraph 2 of the same meeting says:

That in payment to the extent of six thousand five hundred dollars of its indebtedness, in principal and interest, to the representatives of the late J. B. Robert under the Deed of Sale from him to this company executed before W. de M. Marler, N.P., on the 14th May, 1902, registered under the No. 33446, this company do convey to the said representatives Robert all the property, water powers and rights acquired by it under that deed except

- (a) The Feeder and lands connected therewith being official lots Nos. 172, 173, 175 and 341 of the Parish of St. Cecile and the water and shore lots at Valleyfield.
- (b) The property and rights conveyed to the Howard Smith Paper Company by the deed of exchange before L. C. Tasse, Notary, on the 5th October, 1902.
- (c) The property, water power and rights conveyed to W. H. Robert by deed before W. de M. Marler, Notary, on the 27th July, 1909.
- (d) The subdivisions 5, 6 and 7 of lot 556 of the Town of Beauharnois.

On the 30th November, 1921, Mr. Henry N. Chauvin is added to the Board of Directors.

On the 30th November, 1921, the chairman reported that he had been carrying on negotiations with a view to enlarging the feeder in order to develop a greater amount of horsepower, and that he would keep the members of the board informed of the progress of such negotiations.

There was a formal meeting of shareholders on the 2nd May, and on the same day at a meeting of the Board of Directors, the chairman stated that as he had informed the directors during the course of the last year, that the negotiations for increasing the waterpower of the company were still under way.

On the 1st May, 1923, there was a formal meeting of shareholders, following which there was a meeting of directors at which there was an election of officers. On the 6th May, 1924, there was a meeting of shareholders, and only formal matters were dealt with. On the 6th May, there was a meeting of directors at which the officers were elected, and that was the only business enacted.

On the 5th May, 1925, there was a meeting of shareholders, the chairman being W. H. Robert. The chairman reported that the suit of the Great Lakes and Atlantic Canal and Power Company, Limited, had caused the suspension of all the different negotiations he had had with a view to the enlargement of the feeder and that until the final decision was given it was advisable for the company to continue operating under the present conditions.

Mr. WHITE: You will recall that that was not quite done because at the time the Swezey agreement was entered into special provision was made pending the result of the appeal to the Privy Council in that action.

On the 5th of May, 1925, the officers were elected.

On the 4th of May, 1926, a shareholders' meeting, at which the directors were elected, and:

The Chairman reported that Judgment had been received by the Superior Court dismissing the suit of the Great Lakes & Atlantic Canal and Power Company, Limited, and that he had every reason to expect that there would be an appeal to the Court of King's Bench.

On the 4th of May, 1926, a meeting of directors, simply electing the officers.

The next meeting—still part of exhibit 53-4—was on the 1st of February, 1927, a meeting of directors:

The Chairman reported that the heirs of the late J. B. Robert were willing to accept an allotment of the unissued capital stock of the company, the said shares to be allotted as fully paid up and nonassessable, in settlement of the balance of the purchase price due to them under deed of sale by the late J. B. Robert to the Company dated the 14th of May, 1902, which balance of price amounts to \$375,800.

It was moved by Miss Robert and seconded by Mr. Chauvin, that the proposal of settlement of the heirs of the late J. B. Robert be accepted and that it be enacted as a by-law of the Company.

And a by-law was passed authorizing the issue of 1,989 shares to the Robert heirs, and those shares were allotted to the heirs for the price of \$198,900 in full of the claim of the heirs of J. B. Robert.

Then a meeting on the 3rd of February, 1927, a meeting of directors. J. A. Robert resigned and Mr. H. B. Griffiths was elected a director in his place.

By Mr. White:

Q. Was that after the acquisition of the shares?—A. It was probably concurrently with it, Mr. White. The meeting took place in the solicitor's office, and I see it was held at 6 o'clock in the afternoon. My recollection is it would be just perhaps two minutes after the passing of the cheques.

Q. That is the actual date of the agreement?—A. That is the date of the purchase, yes.

Q. Do I understand that the shares were transferred at that time, or that there was an agreement to transfer?—A. Oh, no. They were finally delivered to the National Trust Company to be held by them in escrow under the terms of that agreement.

Q. Yes. And Miss Robert resigned and Mr. Griffiths was elected secretary in place of Miss Robert.

On the 18th of February, 1927, a meeting of directors, at which apparently all were present, there being five directors:—

The Secretary laid before the Meeting the resignation of Mr. E. Howard Cliff, as a Director of the Company, in which Mr. Cliff asked that the same become effective upon acceptance. It was moved by Mr. Chauvin, seconded by Mr. Robert, and unanimously resolved, that the resignation of Mr. Cliff as a Director of the Company be and the same is hereby accepted; and that Mr. A. L. Caron, a shareholder of the company be and he is hereby elected as a Director of the Company, in the place and stead and for the balance of the term of office of Mr. W. Howard Cliff, resigned. Mr. Caron then entered the meeting, and took his place on the Board.

How did Mr. Caron come to be a shareholder of this Company, Mr. Griffiths?—A. All of the shareholders of this company, Mr. White, were nominees of Mr. Sweezey, or later of the syndicate; and he was a nominee of Mr. Sweezey.

Q. He was a nominee of Mr. Sweezey?—A. Yes.

Q. And Miss Sarah Robert resigned and Mr. Sweezey was elected a director, Mr. Chauvin resigned and Mr. Steele was elected a director. That is Mr. R. W. Steele. Mr. W. H. Robert resigned as president, and Mr. A. L. Caron was elected President and Mr. R. O. Sweezey, Vice-President.

Mr. STARR: What is the date of that meeting.

Mr. WHITE: The 3rd of February, 1927. On the 13th of June, 1927, the directors appear to be:—

Present:—A. L. Caron, R. O. Sweezey, W. H. Robert, R. W. Steele, H. B. Griffiths.

I take it that all except Mr. W. H. Robert were nominees of Mr. Sweezey, or was he also a nominee?—A. He was also a nominee.

Q. So that Mr. Sweezey is now in control of the Beauharnois Light, Heat and Power Company, subject to the terms of the agreement which was, with certain alterations satisfactory to the Roberts, carried out?—A. Yes. I take it you mean Mr. Sweezey and/or the Syndicate which he organized, and which at this date, the 13th of June, was really in existence.

Q. And subject, I should say, to the Syndicate agreement?—A. That is right.

By the Chairman:

Q. Mr. Griffith, is Mr. Caron still connected with the company?—A. He is still a director of the company.

Q. The reason I ask is, I read in the Press a few weeks ago where he had been involved in litigation down in Vermont, in New York State, in connection with the profits arising out of the Beauharnois transaction. Is that the same man?—A. That is the same Mr. Caron.

Mr. WHITE: Messrs. Meredith, Holden, Heward and Holden were appointed solicitors to represent the company in an action taken by the Transportation and Power Corporation against Mr. R. O. Sweezey. And I see you made arrangements to borrow money to pay your taxes.

Then the same directors were elected on the 18th of August, 1927, at a general meeting of shareholders.

On the 18th of August, a meeting of directors, Mr. Sweezey was made President, Mr. R. W. Steele, Vice-President and Mr. Griffith, Secretary-Treasurer:—

It was moved by Mr. H. W. Steele, seconded by Mr. A. C. Caron and unanimously adopted, that the President and Secretary be authorized to make application on behalf of the Company to the Government of Province of Quebec for lease of certain beach and deep water lots as described in the draft application prepared by the Company's solicitors and submitted to the meeting.

And on the 31st of October a somewhat similar resolution:—

It was moved by Mr. R. W. Steele, seconded by Mr. W. H. Robert and unanimously resolved: That the President and the Secretary be authorized to make application on behalf of the Company to the Government of the province of Quebec for the grant of certain beach and deep water lots and other rights described in the draft application prepared by the Company's Solicitors and submitted to this meeting, and that the said officers be and they are hereby authorized to execute and seal with the corporate seal of this company the application for this purpose and to execute and do all such other documents and things as may be necessary or useful in the premises.

And then a meeting of Directors on the 16th of January, 1928:—

It was moved by Mr. A. L. Caron, seconded by Mr. W. H. Robert, and unanimously resolved: That the Company make application to the Legislature of the Province of Quebec for the passing of an Act amending its Charter by amending its provisions relating to the location of the entrance and exit of the canal, which it is empowered by its Charter to build; and that the President or Vice-President and the Secretary of the Company, be and they are hereby authorized for and on behalf of the Company to execute appropriate petitions for this purpose to His Honour the Lieutenant Governor, the Honourable the Legislative Council and the Honourable the Legislative Assembly of the Province of Quebec, and to execute and do all such other documents and things as in their opinion may be necessary or useful in this connection.

It was moved by Mr. R. W. Steele, seconded by Mr. W. H. Robert, and unanimously resolved, that the President and the Secretary be authorized to make application on behalf of the Company to the Government of the Dominion of Canada for the approval of plans as described and on condition as set out in the draft application prepared by the company's solicitors and submitted to this meeting, and that the said officers be and they are hereby authorized to execute and seal with the corporate seal of this company the application for this purpose and do such other documents and things as may be necessary or useful in this connection.

On the 5th of June, 1928, a meeting of Directors. Mr. W. H. Robert resigned and Mr. F. P. Jones was elected to fill the vacancy:—

The President reported that an order in council in the Province of Quebec, dated the 25th of April, 1928, approved by the Lieutenant Governor on the 27th of the same month, had been passed authorizing the Minister of Lands and Forests to grant an emphyteutic lease to this Company and that a draft lease for this purpose had been submitted.

On motion duly seconded it was unanimously resolved that the draft emphyteutic lease between the Government of the province of Quebec and this company, which has been submitted to this meeting, be and it is hereby approved, and that the President or Vice-President or the Secretary, be and they are hereby authorized to execute on behalf of the Company a lease substantially in the form of the draft submitted to this meeting, or the like effect.

Then the \$500,000 deposit mentioned in the lease is dealt with and provision is made for procuring the money and making that deposit. We have already discussed that and the transfer of the company's rights to the Bank of Montreal:

The President reported that various contracts has been offered the Company for the sale of its power and that in his opinion steps should be taken to secure these (subject to the approval of the Company's plans by the Dominion Government).

On motion duly seconded it was unanimously resolved that the President or Mr. F. P. Jones, be authorized to negotiate contracts for the sale of power on terms to be approved by the Company's Chief Engineer and to conclude the same subject to ratification by the Board of Directors.

Then the annual meeting of shareholders on the 17th September, 1928.

By Mr. White:

Q. When were the syndicate assets distributed?—A. December 17, 1929.

Mr. WHITE: At this meeting of shareholders of the 17th of September, 1928:

Present: R. O. Swezey, H. B. Griffith, R. W. Steele, F. P. Jones, A. L. Caron.

- National Trust Co., Ltd., in trust, represented by Proxy in favour of R. O. Swezey and for H. B. Griffith.

By Mr. White:

Q. How did the National Trust Co. come to be a shareholder of this company at that time?—A. They were still holding the majority of the shares under the agreement between Swezey and Robert.

By the Chairman:

Q. Swezey had not completely exercised his option?—A. It was not quite an option, Mr. Gordon. He made the purchase and the first payment, and they were holding in escrow subject to resolatory conditions.

Q. Which conditions had not yet been fulfilled?—A. Yes, which conditions had not yet been fulfilled.

Q. So that the National Trust Co., while appearing to be shareholders had no beneficial interest in the shares?—A. That is true, sir.

Q. Merely holding them as stakeholders, as it were?—A. As trustees.

Q. As trustees?—A. Yes sir.

Mr. WHITE: Reading from the Minutes of the 17th September, 1928:

The President submitted to the meeting a report of the activities of the company during the past year.

And that was ratified and confirmed, and the same directors were elected.

By Mr. White:

Q. I wonder if I could have a copy of that report?—A. I am afraid those reports were verbal, Mr. White.

The CHAIRMAN: What report is that.

Mr. WHITE: A report of the President on the activities of the company during the past year.

By the Chairman:

Q. What happened to that report, Mr. Griffith?—A. They were not written reports, Mr. Chairman.

Q. Oh, verbal?—A. Purely verbal statements.

The CHAIRMAN: The President at this time was?

Mr. WHITE: Mr. Sweezey, and the individual shareholders being Mr. Griffith, Mr. Steele, Mr. Jones, Mr. Caron and the National Trust Company.

The CHAIRMAN: Mr. Sweezey will be able to give us almost the same report as he gave to that meeting.

Mr. WHITE: And at the meeting on the 17th of September, a meeting of directors following the annual meeting, Mr. Jones was elected President of the Company, Mr. Sweezey, Vice President, Mr. Griffith continuing as Secretary.

On the 7th day of May, 1929, the annual meeting was held, and the President submitted another report of the activities of the company during the past year, which was adopted. I suppose that also is verbal?

The WITNESS: The same kind of report, Mr. White.

Mr. WHITE: The directors were elected as follows:

F. P. Jones, R. O. Sweezey, H. B. Griffith, L. C. Christie, A. L. Caron.

By Mr. White:

Q. How did Mr. Christie come to be a shareholder?—A. He, like the other directors, was nominated to that position, elected to that position I might say by the Syndicate representatives.

Q. Would it be proper to say that he was there as the representative of the National Trust Co.—A. No, it would not. The National Trust Co., had no representative or beneficial interest. They nominated or furnished a proxy to Mr. Sweezey or to myself.

Q. Then he was really one of Mr. Sweezey's nominees?—A. Quite. I think I should stress, Mr. Chairman, the fact that he was not a nominee of Mr. Sweezey but a nominee of the President of the Syndicate.

The CHAIRMAN: Who was the President?

Mr. WHITE: That is Mr. Sweezey.

By the Chairman:

Q. Mr. Sweezey was the President?—A. Yes, sir, but not in his personal capacity.

Q. He was capable, of course, of distinguishing those refinements, was he?—A. Oh, quite.

By Mr. White:

Q. Mr. Christie had joined the company at this time?—A. He had, sir.

Q. In what capacity?—A. I do not think that he had any office prior to this date. I do not recall the date on which he entered our employ.

Q. And he came to the company from what position?—A. The Hydro Electric Commission of Ontario.

Q. Had he been with the National Trust Co., do you know?—A. Never to my knowledge.

Q. Then the annual meeting on the 7th of May, 1929, Mr. Jones still President, Mr. Sweezey, Vice-President:

On motion duly seconded, it was unanimously resolved that the President or Vice-President and the Secretary be and they are hereby authorized to enter into any agreements with the Dominion Government which in their opinion, may be necessary or useful to give effect to the approval of the Company's plans granted by order in council of the Dominion Government dated 8th March, 1929, and any modifications of or additions to such order in council which may be made by competent authority.

On the 28th of June, 1929, a meeting of directors:—

It was moved, seconded and unanimously resolved that the President, Vice-President and the Secretary or any two of them be authorized to make application on behalf of the Company to the Government of the Province of Quebec or to any Department thereof for the approval of the sites and plans and specifications of the Company's proposed works under the Water Courses Act.

On the 29th day of July, 1929, a meeting of directors, at which Mr. Steele was elected to fill the vacancy caused by the resignation of Mr. Jones. Mr. Sweezey was elected President.

The CHAIRMAN: What is the date, Mr. White.

Mr. WHITE: 29th of July, 1929. We have had that date before, I think, from Mr. Jones. By the way, Mr. Jones' resignation as President was presented to that Meeting and accepted. That appears to be practically all of the business of that meeting.

Then on the 5th of August, 1929, a meeting of directors, it was resolved:—

The President, the Vice-President and the Secretary or any two of them be authorized on behalf of the company to execute and seal with the Company's corporate seal a contract with the Montreal Cotton Company in the form submitted to the meeting, providing for the acquisition by the Company of the right to use through its proposed canal all the quantities of water drawn from the St. Lawrence River which the Montreal Cotton Company is entitled under leases from the Department of Railways and Canals of Canada to use in its power plants at Valleyfield.

And that accounts for the 13,072 horse power, does it.

The WITNESS: That is right—cubic feet per second.

Q. Cubic feet per second, yes. And then on the 21st of August, 1929, at a meeting of directors a resolution was passed.

By the Chairman:

Q. Just at that juncture. Was it necessary to receive the approval of anyone to the assignment of the Montreal Cotton Company's lease to the Beauharnois Light, Heat and Power Company.—A. I believe it was. I personally did not have charge of that. Mr. Christie had personal charge of the legal points involved.

Q. What I had in mind was this: There seems to have been carried through those orders in council, where plans were approved, a restrictive condition with respect to the assignment of those rights. I wondered if that same restrictive condition contained in the lease of the Montreal Cotton Company had to be obtained and, if so, was it obtained; but you are not in a position to say.—A. Mr. Christie will take that point up.

Mr. WHITE: Mr. Morin has just pointed out the approval of this was obtained by order in council. I have forgotten the number of it at the moment.

The CHAIRMAN: Is that 2201-2-3.

The WITNESS: That is right.

The CHAIRMAN: Exhibits 7, 8 and 9.

Mr. WHITE: Then on the 21st of August this resolution was passed:—

That either the President, the Vice-President or the Secretary be authorized to sign on behalf of the Company from time to time such petitions, applications, affidavits, notices or other documents as under the Water-Courses Act the Company's Act of incorporation as amended or otherwise, may be necessary in connection with any expropriation proceedings to be instituted by the Company in respect of the lands or rights required for the construction of the Company's canal, power plant, transmission lines or other works to be constructed by the company.

On the 9th of October, 1929, this resolution:—

That the draft deed of agreement between the Honourable the Minister of Lands and Forests of the Province of Quebec, and this Company amending the emphyteutic lease of the 23 June, 1928, between the said Minister and this Company, which said Draft Deed the Minister was authorized by order in council of the said Province, passed on the 18th September, 1929, and approved by the Lieutenant Governor on the next day, to execute in behalf of the Government of the said Province and of which a copy has been submitted to this meeting be and it is hereby approved and that the President, the Vice-President and the Secretary or any two of them be and they are hereby authorized to execute on behalf of this Company a Deed of Agreement with the said Minister substantially in the form of the draft submitted to this meeting or to like effect.

On the 25th of October, 1929, the President reported—the President being Mr. Swezey:—

... that in order to implement the agreement of the 14th August, 1929, between the Company and the Montreal Cotton Company, it was necessary that the Company conclude with the said Cotton Company agreements sub-leasing the said Cotton Company water rights to the Company; that it apply for the approval thereof by the competent public authorities; and that it conclude tripartite agreements with the Crown and the said Cotton Company setting the conditions of such approvals.

On motion duly seconded, it was unanimously resolved:—

That the President, the Vice-President and the Secretary or any two of them be and they are hereby authorized on behalf of the Company to execute with the said Cotton Company such sub-lease agreements.

On the 28th of October, 1929, there appears this:—

There was submitted to the meeting a draft agreement between the Company and the Hydro Electric Power Commission of Ontario for the sale of 250,000 horse power of electrical power to the Commission.

On motion duly seconded, it was unanimously resolved:—

That the draft agreement between the Company and the Hydro Electric Power Commission of Ontario for the sale of 250,000 horse power of electrical power to the Commission, a copy of which has been submitted to the meeting, be approved, and that the President, the Vice-President and the Secretary or any two of them be and they are hereby authorized to execute on behalf of the Company an agreement with the Commission substantially in the form submitted to the meeting or to like effect.

By Mr. White:

Q. Could I have that contract, Mr. Griffith, or a copy of it?

Mr. MONTGOMERY: After all, that is a thing that Hydro is involved in. I doubt whether it would add anything.

Mr. WHITE: I waive this on behalf of the province of Ontario.

Hon. Mr. MACKENZIE: Are you authorized to speak on behalf of the province of Ontario.

Mr. WHITE: As a tax payer.

The WITNESS: I may say, Mr. Chairman, that the company has no objection itself to producing this.

Mr. WHITE: It is a public document.

The CHAIRMAN: Is there any objection to its production?

The WITNESS: Not from the Company's point of view.

By the Chairman:

Q. Well, from whose point of view?—A. I do not know. I am just thinking of the relations we have with outside people. We would have to obtain the consent of the Commission, I think, before we showed it to any third party.

By Mr. White:

Q. I do not know why you would. I think perhaps you would do what you were directed to do by the Committee.—A. I am excepting the proceedings before this committee, Mr. White. I am thinking of my normal actions as an officer of the company.

The CHAIRMAN: I think the terms of the contract were almost word for word published in the Press at the time they were entered into.

Mr. MONTGOMERY: It is a pretty long document. I do not think there is the slightest objection to Mr. White seeing the contract.

Mr. WHITE: I can very easily get it by asking the Ontario Hydro Electric Power Commission for it.

Mr. LENNOX: Mr. Griffith has a copy of it.

The CHAIRMAN: I cannot conceive any reason why it should not be filed.

The WITNESS: Well, if that is your ruling we are certainly not going to argue the point at all, Mr. Chairman, because there is no reason.

The CHAIRMAN: Would you mind letting me see it to find out if there is anything so shattering to the nerves that it cannot be filed.

The WITNESS: I think it would only shatter the nerves of an electrical engineer, as a matter of fact.

The CHAIRMAN: Well, I will skip that part. You may go on, Mr. White. I will look this over.

Mr. WHITE: The meeting of directors of the 31st of October, 1929, authorizing an agreement with the Canadian National Railway in regard to the diversion, bridges.

Then a meeting on the 6th November, 1929, of directors, approving the agreement between the Beauharnois Light, Heat & Power Co., and Beauharnois Construction Co., providing for the construction of its power canal and power plant for the utilization of 200,000 electrical horse power.

By Mr. White:

Q. Perhaps you will let me have a copy of that agreement?—A. I will be glad to, Mr. White.

Q. Have you it with you?—A. I think we have prepared copies for filing.

Q. It is dated the 6th November?—A. Yes.

Q. Well, it is at a meeting on the 6th of November, 1929?—A. You will let me substitute another one so that I can put this back in my book at a later period.

Q. I suppose the "Contractor" is the Construction Company?—A. Yes.

Mr. WHITE (Reads):

This Memorandum of Agreement made in duplicate at the City of Montreal in the province of Quebec on the sixth day of November, one thousand nine hundred and twenty-nine.

By and between:

Beauharnois Light Heat & Power Co. (hereinafter called the "Power Company"), a company incorporated by special Act of the Province of Quebec, having its head office in the said City of Montreal, herein acting and represented by Robert O. Sweezey, its President, and Hugh B. Griffith, its Secretary, hereto duly authorized by a resolution of its Board of Directors, a certified copy whereof is hereto annexed:

Party of the First Part.

And:

Beauharnois Construction Company (hereinafter called the "Contractor"), a company incorporated by Letters Patent of the province of Quebec, herin acting and represented by Frank H. Cothran, its Vice-President, and Loring C. Christie, a Director, hereto duly authorized by a resolution of its Board of Directors, a certified copy whereof is hereto annexed:

Party of the Second Part.

Witnesseth that the Parties hereto for good and valuable consideration each to the other paid, receipt and sufficiency whereof is hereby acknowledged by the respective recipients, have agreed together as follows:—

1. The Power Company hereby engaged and employs the Contractor to cause to be designed and laid out for the Power Company, and to construct or cause to be constructed for the Power Company its so called "Beauharnois Station" on the St. Lawrence River, including a canal from Lake St. Francis to Lake St. Louis in the County of Beauharnois, power house, tail race, all bridges, gates, sluices, dams, remedial and protective

works, highway revisions, railway revisions, railways, tramways, temporary works, and all other works and structures which may be incidental to, necessary or useful for the said project. Said canal, power house, tail race and other structures shall be designed and constructed so as to use 24,000 cubic feet per second of water, developing approximately 200,000 horse power, and shall be so designed and constructed that it may be enlarged and extended from time to time.

2. The Contractor hereby accepts the said engagement and employment and undertakes to carry out the same.

3. The Contractor shall engage or procure the services of all such architects, engineers and other experts as may be necessary or useful for the proper designing and laying out of the said works, and shall procure all engineers, superintendents, timekeepers, inspectors, foremen and labourers and engage all other services and provide all apparatus, equipment, machinery, tools, supplies, material and other things necessary or useful for or in connection with the construction of the said works.

4. All the plans and specifications of work caused to be prepared by the Contractor shall be subject to the approval of the Power Company and shall not be acted upon or proceeded with unless approved by or on behalf of the Power Company, and the Power Company shall be entitled from time to time to add to, amend, vary, cancel or replace any plans or specifications, whether or not the same shall have been previously approved by it.

5. The Contractor shall comply with and conform to:—

- (a) All the requirements of an order in council approved by His Excellency the Governor-General-in-Council of the Dominion of Canada on the Eighth day of March, 1929 (P.C. 422), and any and all modifications, amendments or additions which may have been or may hereafter be made to the same; and all other orders in council which may hereafter be made, relating to said works;
- (b) The provisions of an emphyteutic lease granted by the Government of the province of Quebec to the Power Company under date of the Twenty-third of June, 1928, and any and all modifications, amendments or additions which may have been or may hereafter be made to the same; and all further leases granted which may modify, amend or extend the provisions and conditions of the above lease, or otherwise relate to said project;
- (c) Any and all regulations, requirements, instructions or orders lawfully made or given by the Government of the Dominion of Canada or its representative, or the Government of the province of Quebec or its representative, or by any other competent authority;
- (d) Any and all instructions, orders and requirements which may be given or made by the Power Company.
- (6) The Contractor undertakes and agrees that provided:—
 - (a) Written instructions to proceed with said work are given on or before July 2nd, 1929;
 - (b) The necessary lands, servitudes, casements, privileges and permits are made available to it as hereafter provided in appropriate time from time to time as required for the proper prosecution of the work;
 - (c) The plans and specifications of work are approved by the Power Company in appropriate time from time to time as required for the proper prosecution of the work;

it will build and complete the necessary canal, power plant and other structures, including the installation of the required hydraulic and electric equipment so that on or before October 1st, 1932, the power from 24,000 cubic feet per second of water (developing approximately 200,000 horse power) may be available at the bus bars of the power plant. The Contractor will also arrange its equipment and construction program so that the Power Company can complete the structures and installations necessary to develop subsequently to October 1st, 1932, and until said project is fully developed, not exceeding 100,000 horse power per year as may be authorized by the proper governmental authorities.

7. The Power Company undertakes and agrees to make available from time to time as required for the proper prosecution of the work, all the lands, servitudes, easements, privileges and permits, including beach and deep water lots which may be necessary for the proper prosecution of the work in accordance with the approved plans and specifications.

Mr. MACKENZIE: Is all this material evidence?

Mr. WHITE: This particular part is.

Mr. MACKENZIE: It is absolutely immaterial.

The CHAIRMAN: I think it should form part of the record.

Mr. MACKENZIE: You may see some importance in it, but I do not.

Mr. WHITE: The Power Company undertakes and agrees to pay to the contractor the cost and expense incurred by the contractor in performing this contract, and in addition a commission or fee equivalent to twelve and one half per centum ($12\frac{1}{2}\%$) of the cost and expense of said work, not including, however, the cost and expense of lands, servitudes, easements, privileges and governmental permits required to be furnished and made available by the Power Company, nor including the salaries or other remuneration of officers of the contractor, except those regularly stationed on the site of the work, nor the expense of any of its offices other than offices established on the site, nor fees or commissions paid for engineering services to persons or corporations not regularly stationed on the site of work, but shall include all travelling and other expenses of its officers incurred in connection with or for the purpose of the work.

Q. In that connection, Mr. Griffith, do I understand that the contracting company is 100 per cent subsidiary of the power company?—A. It is, Mr. White. I think I might also point out you will come to it in the course of a few minutes—I just wanted to anticipate Mr. White a little bit and say in a later minute you will find that $12\frac{1}{2}\%$ commission was waived.

Q. It seemed to me to be an awkward thing?—A. It proved to be so in practice.

Q. There does not seem to be anything else in the contract, Mr. Chairman, that is, anything of importance. This will be exhibit No. 70.

Document filed and marked exhibit No. 70.

Mr. WHITE: The next meeting is a directors meeting on the 14th December, 1929.

The CHAIRMAN: Are we having these printed in the minutes of the committee?

Mr. WHITE: I understand so.

The CHAIRMAN: The whole thing will be printed in?

Mr. WHITE: I did not think that was to be done. I thought the parts I have been reading would be printed.

The CHAIRMAN: You are excluding a mass of it.

Mr. WHITE: Yes.

The CHAIRMAN: All right, go on.

Mr. WHITE: I do not see any advantage in cluttering up the record with a lot of stuff that is not useful. The exhibits are available, and if any member of the committee at any time wants anything else read into the record, why that can very easily be done; that is, if my judgment as to what is important happens to be faulty. Apparently though, I am including enough.

Mr. MACKENZIE: At least.

Mr. JACOBS: If you attempt to read what is before you it will take the best part of the day.

Mr. WHITE: No. You will be surprised at the rapidity at which I shall read it.

At a meeting of the directors on the 14th of December, 1929, the chairman stated that the Beauharnois Power Corporation Limited had subscribed for 38,000 shares of the capital stock of the company, namely, the whole of the unissued balance of the capital stock. The shares were allotted. There was then submitted to the meeting a memorandum of agreement, dated 20th November, 1929, between Beauharnois Power Corporation and this company, and that was approved.

Then there is recited approval of the order in council of the government of the province of Quebec of the 5th December, 1929, granting the right to divert from Lake St. Francis for the production of power through its power canal and power plant water of the same quantity as that acquired by the company from the Montreal Cotton Company.

Then there is on page 3, commencing at that page, rather, an agreement between Beauharnois Power Corporation Limited, and the Beauharnois Light, Heat and Power Company, which was a subsidiary, formed I understand, Mr. Griffith, to carry on the actual power operations.—A. Mr. White, the Beauharnois Light, Heat and Power Company is the company which we bought from the Roberts. That is the company whose minutes you are now reading, and this agreement is between that company, the old company, we may term it, and the parent company or power corporation, and that sets out the relationship between the two.

Sir EUGÈNE Fiset: All these subsidiaries are owned by the main company.

The WITNESS: There are four, General Fiset.

By Sir Eugène Fiset:

Q. They are owned by the Beauharnois?—A. By Beauharnois Power Corporation. They are wholly owned, directors qualifying shares, but they are also pledged to the trustees, so you can call it 100 per cent ownership.

By Mr. White:

Q. The Beauharnois Power Corporation is called "Corporation" and the Beauharnois Light, Heat and Power Company is called "company." By this agreement the corporation transfers and makes over to the company all the assets and undertakings acquired and/or contracted to be acquired by it, the corporation, from the Beauharnois Power Syndicate under and in virtue of an agreement dated the 31st day of October, 1929, except the shares of the capital stock of the company so acquired or agreed to be acquired and the shares of the capital stock of Beauharnois Construction Company so acquired or agreed to be acquired.

The corporation undertakes and agrees to procure for the company a contract between the Hydro-Electric Power Commission of Ontario and the company providing for the sale by the company and the purchase by the said commission of electrical power and energy, commencing with a minimum contract demand of 35,000 horse-power on the first day of October, 1932, up to a

maximum contract demand of 250,000 h.p. on the first day of October, 1936, and to continue in force until the expiry of 40 years, commencing from the 1st day of October, 1932, the said electrical power and energy to be sold and purchased at the rate of \$15 per annum per h.p. of the contract demand, the terms, provisions and conditions of the said contract to be subject to the approval of the company.

Paragraph 3. The corporation further undertakes and agrees that upon demand by the company it will guarantee towards the said Hydro-Electric Power Commission of Ontario the performance by the company of the said contract.

Then, it agrees to procure a contract between the company and the Montreal Light, Heat and Power Consolidated, and then it will guarantee the performance of that contract; and then it agrees to create and later to issue \$30,000,000 of bonds, and to make advances by way of loan to the company up to \$22,250,000, as the same may be required, for the following purposes; that is, for the payment of obligations in liabilities assumed by the corporation under the said agreement, and for the payment of expenditures from time to time made or proposed to be made either by the company or subsidiary or in connection with the development or marketing of hydro-electric power in the Soulanges section. It does not say that, but that is what it means, as the company may approve.

Paragraph 7 provides, the company hereby agrees to borrow from the corporation the amounts hereby agreed to be advanced, namely, \$22,250,000 as and when the same are required by the company for any of the purposes specified in section 6 hereof, and to deliver to the corporation promissory notes and other evidence of indebtedness as may be required by the corporation in respect of such advances payable on demand, or at such other time or times as the corporation may require. The company at or before the execution hereof has paid to the corporation the sum of \$3,300,000, the receipt whereof is hereby acknowledged by the corporation, and the company hereby undertakes and agrees to pay to the corporation the sum of \$7,750,000 in such amounts and at such times and from time to time as may be demanded by the corporation, and to deliver to the corporation, one or more promissory notes. What was that transaction, Mr. Griffith?—A. I think I might explain. The \$12,250,000 there transferred; that is, the proceeds there derived from the sale of bonds after having paid the \$4,750,000 which the corporation agreed to pay to the syndicate, \$4,750,000 added to the \$22,750,000 gives us \$27,000,000 in cash, which the corporation received from the sale of those bonds. So, in effect, what happened was the corporation became successor to the syndicate, and it had under this agreement with the syndicate, acquired all of the assets of the syndicate, and under this agreement it transferred to the Beauharnois Light, Heat and Power Company all of the assets which were acquired except the shares of Beauharnois Light, Heat and Power Company, and the assets of the Beauharnois Construction Company. It also agreed as successor to the syndicate which had interests in connection with power contracts and other things which the syndicate had been carrying on, it agreed too, as successor, to obtain those contracts for this subsidiary company and it agreed to advance to the subsidiary company the \$22,750,000, which was the money that was left, you see.

Q. Why? What were you paying for?—A. In payment for all services which the power corporation rendered to the Beauharnois Light, Heat and Power Company, which services have been set out here in full; the obtaining of these contracts and the transference of the assets set out, and the guarantees they had afforded and its activity in having raised this money, the Light, Heat and Power Company paid back \$3,800,000—

Q. Of the \$22,500,000?—A. No, not actual money, but paid back \$3,800,000 which they had previously received by way of subscriptions to its capital stock, which I think—

Q. From the Power company?—A. From the company, corporation.

Q. In other words, that wiped it out?—A. Quite.

Q. So that, although the capital stock of the Light, Heat and Power Company was paid for in cash, the actual cash that had been paid for it was returned by the Light, Heat and Power Company to the Power corporation?—A. That is correct, yes.

Q. And the result, the capital stock was acquired for the services expressed to be the consideration for the payment back of the \$3,800,000?—A. That is correct.

Q. Then, there is the sum of \$7,750,000 here which the company agrees to pay to the corporation. What about that?—A. You will recall yesterday in my evidence some reference was made to the security which was raised behind the collateral bonds. It was remarked that the security consisted of equal par value of second mortgage bonds of the Beauharnois Light, Heat and Power company. I explained I knew of that; there had been created an indebtedness, the purpose being that the Light, Heat and Power Company should be indebted to the power corporation in the sum of \$30,000,000 which was the indebtedness of the power corporation to the public; \$22,250,000 and \$7,500,000 constitutes the \$30,000,000 indebtedness.

Q. Well then, in effect, of the \$30,000,000 bonds sold, the Power company received \$27,000,000?—A. That is true, sir.

Q. They paid out of that, \$22,500,000 to the Light, Heat and Power Company?—A. Yes.

Q. Leaving in their treasury \$4,750,000?—A. Not \$4,750,000.

Q. Not \$4,750,000?—A. No.

Mr. LENNOX: \$4,750,000?

The WITNESS: \$22,250,000.

Mr. WHITE: I beg your pardon. \$4,750,000. Then they got back \$3,800,000 of the proceeds of those bonds?—A. No, they did not, sir. I am afraid we are confusing the two transactions, slightly.

Q. Where else did the Light, Heat and Power Company get the money back, where did the Light, Heat and Light Company get the \$3,800,000 if it was not out of this \$22,500,000 that was got from the Power Company?—A. They got it from the cash which was received from the subscriptions to capital stock.

Q. Then, \$7,700,000, where is that coming from?—A. That was the amount which was paid or given as a certificate or evidence of indebtedness or rather agreed to provide a promissory note or other indebtedness for services rendered. Not only services rendered, but I might add assets transferred as well.

Q. I see?—A. Because there were very substantial assets transferred from the syndicate.

Q. Of the \$22,250,000 which was received, there are \$7,750,000 to come back?—A. I do not think I can agree with you yet, Mr. White.

Q. Why not? Wherein am I wrong?—A. Of the \$22,250,000 received?

Q. Yes. They agreed to pay back \$7,750,000; is not that right?—A. They agreed to turn that over or pay it in; but in fact they would not pay it, of course, because the money is not available.

Q. The evidence of indebtedness is there?—A. And of course, it appears as a book debt just between the two companies.

Q. So, if that agreement on the part of the Light, Heat and Power Company is paid back, in the final result it will have received and retained \$14,500,000

from the issue of the \$30,000,000 bonds,—the Light, Heat and Power Company will have—A. No. I think I prefer if I might express it in this way—

Q. I know?

Mr. JACOBS: We are getting terribly confused, up here, Mr. White. We are lost.

Mr. WHITE: I am endeavouring to help you find yourself.

Mr. JACOBS: That is what you are here for.

By Mr. White:

Q. The purpose of the sale of securities by the Beauharnois Power Corporation, obviously was to provide funds for the Beauharnois Light, Heat and Power Company.—A. For the construction of the canal, in other words.

Q. Yes. I want to see how much money was provided for the construction of the canal. I am pointing out to you that after the obligations, which the Light, Heat and Power Company has carried out, all that remains for actual construction purposes out of the \$30,000,000 bonds are \$14,500,000.—A. Well, again I am afraid I cannot agree. The intent was and the facts are that the Beauharnois Power Corporation borrowed the capital sum or created a capital indebtedness of \$30,000,000, for which was received \$27,000,000 in cash.

Q. Yes?—A. That was done for the benefit of the Beauharnois Light, Heat and Power Company. The purpose of this contract is, in effect, that the Beauharnois Light, Heat and Power Company shall assume the capital obligation of the \$30,000,000 and all the charges in connection therewith for its payment of interest to bondholders, the payment of sinking funds when they become due, the money that was borrowed from the public by the power corporation for the benefit of the Light, Heat and Power Company. Now, the Power Corporation is indebted to the public in the sum of \$30,000,000. They assumed that. The Light, Heat and Power Company has become indebted to the Power Corporation for an equal amount. Now, of the \$30,000,000, \$7,250,000 was not available to be advanced in cash, because \$3,000,000 of it was bond discount, \$4,750,000—

The CHAIRMAN: That also went to Newman, Sweezey and Company?—A. No sir, it didn't go to anybody.

Q. The bonds were sold?—A. The bonds were sold on 90 per cent of the par value.

By Mr. White:

Q. Sold by Newman, Sweezey and Company, and the National Trust Company, is what the chairman says.—A. With your permission, I was not in the bank business at that time, and evidence with respect to the particulars, on which the bankers sold, or what profits the bankers may have made, or what losses they may have made, is available, and with your permission I prefer it come from somebody else.

Q. Are you trying to tell us you do not know at what price the brokers sold your securities?—A. I am, most certainly, Mr. White.

Q. All right. We will accept your evidence.

Mr. JACOBS: The company got 90.

The WITNESS: The company got \$27,000,000 cash.

Q. Out of the bonds?—A. Out of the bonds.

Q. That is what we are interested in.

By the Chairman:

Q. You say the company got \$27,000,000 for \$30,000,000 worth of bonds? Is that correct?—A. No sir.

Q. Let me put it this way; the company created a liability of \$30,000,000.

—A. Yes sir.

Q. For which they received \$27,000,000?—A. That is true, sir.

Q. How much of the \$27,000,000, when the various transfers or various distributions of money were made out of the \$27,000,000, how much was actually left in the treasury of the Beauharnois Power Company to be devoted to the actual building operations and construction work?—A. Now, I understand, by that, while a sum of money was left in the treasury of the power corporation after the power corporation had purchased the assets of the Beauharnois Power syndicate—

Q. I am not concerned with what they did with any portion of the \$27,000,000 other than what was left for the Power Corporation to vote to the building and construction of the canal.—A. Well—

Q. How much?—A. You will excuse me. I am afraid I must make a slight distinction, because part of the \$4,750,000 that was used to purchase the assets of the Beauharnois Power syndicate went into the construction. Now, after the assets of the Beauharnois Power Syndicate had been purchased, there remained \$22,250,000, which was advanced to the Beauharnois Light, Heat and Power Company for the purpose of constructing this power plant which, it would be incorrect for me to say that that is all the money that went into the construction of the power plant.

By Mr. White:

Q. Not all?—A. \$22,250,000.

Q. The Light, Heat and Power Company agreed to pay back to the Power Corporation, \$7,750,000 for services rendered?—A. No, Mr. White. If you will read it as I do, in effect after that—

Q. I do not want to read it as you do, I want to read it as it is.

Mr. LENNOX: Let Mr. Griffith tell us what it is for.

The WITNESS: For the \$22,250,000 cash and those other assets transferred the Beauharnois Light, Heat and Power Company agreed at some future date to pay back the sum of \$30,000,000. That is the amount which the power corporation owes to the public, and for which they became indebted on the account of the Beauharnois Light, Heat and Power Corporation.

Mr. LENNOX: Mr. White says there were seven million odd paid back.

Mr. WHITE: Agreed to be paid back.

Mr. LENNOX: For services. What do you say about that?

The WITNESS: No, not purely for services, Colonel Lennox.

By Mr. Lennox:

Q. That is what Mr. White says.—A. It is for all those considerations enumerated. Some was services and some was assets.

By Mr. White:

Q. But, Mr. Griffith, the prices agreed upon as between the syndicate and the power corporation was \$4,750,000.—A. That is right, sir.

Q. And after that the syndicate agreed to transfer all their assets to the Power corporation, did they not, for a sum of money and certain shares?—A. They did, yes.

Q. So that we have that transaction cleaned?—A. No, it is not sir, because the Power Corporation here agreed to transfer to the Light, Heat and Power Company all of the assets that it would receive except the shares of the Light, Heat and Power Company itself, to take a million dollars' worth of real estate, which might be a good deal more than that, that came into the Light, Heat and Power Company in this agreement.

Q. Included in the \$4,750,000?—A. Yes.

Q. So that of your \$27,000,000 the Power Corporation retains \$4,780,000 in respect of the assets which they purchased from the syndicate and to cover the purchase price?—A. Quite.

Q. Is that right?—A. That is right.

Q. Leaving \$22,500,000—

Mr. LENNOX: Just a moment there. When the payment of \$4,750,000 was made, it was made to the company—

Mr. WHITE: To the syndicate.

Mr. LENNOX: To the syndicate, I should say. Was there any further indebtedness, or did that cover everything?

Mr. WHITE: Indebtedness to the syndicate?

Mr. LENNOX: Yes.

The WITNESS: No, there was no further indebtedness. If I may be permitted, there were certain liabilities which the syndicate had to finance.

By Mr. White:

Q. But you are under no further obligation?—A. No, that was a complete discharge to the syndicate.

By Mr. Lennox:

Q. So that you start fresh there?—A. We started fresh with the Power Corporation having paid \$4,750,000—

Q. And their liability?—A. Yes, all their liabilities to the public in the sense of bank loans.

Q. Here is what is puzzling me: If what you say is correct, that \$4,750,000 was sufficient to create a complete discharge why should any further money be paid to them?—A. To whom, sir?

Q. To the Syndicate.—A. No further money was paid.

Q. To the company, to whom those \$7,000,000 were paid— —A. If you will let me try again: The Beauharnois Power Syndicate which Syndicate over a period we know of two or three years was the owner of the Beauharnois Light, Heat & Power Co., had raised a substantial amount of capital of its own, and through the sale of part-interests, and then later borrowed money from the banks in order to go on with its work, and it acquired a number of assets. It acquired real estate; it acquired the shares of the Beauharnois Light, Heat & Power Co., by paying the Roberts, and it acquired engineering work and other assets. Now, on December 17, 1929, that was the position. The Syndicate was the owner of these assets. When I use the date December 17, that is the date on which the transactions were consummated which are spread out in this agreement.

Q. That is, when the Syndicate assets were distributed?—A. Yes, and it is also the date on which the Syndicate sold all of its assets to the Beauharnois Power Corporation, and sold them for the sum of \$4,750,000. So the Syndicate then is out of the picture altogether and the Power Corporation remains as being the owner of all of the assets of the Syndicate. It then transfers to the Beauharnois Light, Heat and Power Company, which has become its child, because it owns all the shares, it transfers to the Light, Heat and Power Company, everything that it bought to the Syndicate except the shares of the Light, Heat and Power Company, and the shares of the Construction Company; but everything else, the benefit of the engineering work and the real estate.

By the Chairman:

Q. And the goodwill?—A. And the goodwill, and these contracts which had been obtained, and guarantees which had been given, and the general work

and activities, everything the Syndicate had done went to the Light, Heat and Power Company. It also agreed to advance to the Light, Heat and Power Company all the monies that it would have left from the sale of these bonds after it had paid for the assets that it had bought, and the money it had left was \$22,250,000.

Q. And what did you do with it?—A. What did the Light, Heat and Power Company, do with it.

By Mr. Lennox:

Q. What became of the \$22,000,000 odd?—A. You saw that at Beauharnois. It has been spent on the work.

Q. What, the \$22,000,000 odd?—A. Yes.

By Mr. White:

Q. Well, there is the agreement of the Light, Heat and Power Company, to pay back to the corporation?—A. There is under this agreement the obligation of the Light, Heat and Power Company, to pay back to the Power Corporation \$7,750,000 plus \$22,250,000.

Q. I have been at this for half an hour trying to find out what you are paying that for.

Mr. MONTGOMERY: Just let him finish his answer.

Mr. WHITE: I know, but I am getting tired of listening to these long answers. They are not answers to questions at all.

Mr. MONTGOMERY: I protest against that, Mr. Chairman, Mr. White does not listen to what the witness says, but puts another question right in the middle of the witness's answer.

Mr. WHITE: I did not come here to listen to speeches by Mr. Griffith. I came to ask questions and I expect answers to them.

Mr. JACOBS: He was just about to answer when counsel interfered.

Mr. WHITE: I think not, Mr. Jacobs.

Mr. JACOBS: Well, I was beginning to get a little light, now I am in the woods again.

Mr. LENNOX: We are back to where we started. What we want to know is what became of the \$7,000,000 odd which was to be paid back.

Hon. Mr. MACKENZIE: It is a book debt.

The WITNESS: It is a book debt. As a matter of fact, to-day there is a book debt of \$30,000,000.

By Mr. Lennox:

Q. But why should it be paid back? You say there is an agreement that it should be paid back. What is the consideration for it?—A. The consideration is the cash advance of \$22,250,000 and the transfer of the assets from the Syndicate. The purpose is this: The Power Corporation was to pay \$3,000,000 out of the entire proceeds received from that bond issue to the business and affairs of the Beauharnois Light, Heat and Power Company, and it seemed to us proper that the Light, Heat and Power Company, should be indebted to the Power Corporation in an equal amount. If it is not, and if that money is not paid back in some way, how is the Power Corporation going to discharge its liabilities to the public. We must have some security behind the obligation to the public, and that security is the shares of our subsidiary company and the indebtedness of the subsidiary company in a like amount.

By the Chairman:

Q. What did the Power Corporation represent to the public as being the security behind the bonds?—A. Just as I have described it. I think we can find it in a circular.

Q. Let me have the circular. If there is a comprehensive circular probably I can find it out faster.

Mr. JACOBS: If you will permit me, Mr. Chairman, the \$22,000,000 that was still left was used, you say, on the work that we saw down at Beauharnois.

The WITNESS: Yes, Mr. Jacobs.

Q. And then there is another \$7,000,000, as I understand it, which comprises the \$3,000,000 discount on the sale of the bonds.—A. Yes.

Q. And the other \$4,000,000 of assets, and so on which they took over from the Syndicate.—A. That is right, sir.

Q. That makes up the \$30,000,000.—A. That makes up the \$30,000,000.

Q. Now, Mr. White spoke about another \$7,000,000 which he suggested was about to be or had been abstracted from the \$22,000,000. Can you give us any light on that?—A. I am afraid I cannot.

Q. Which would only leave \$14,000,000 to the company for its operations.—A. I do not think that is what Mr. White meant, with all due respect to you, Mr. Jacobs.

The CHAIRMAN: Mr. White was talking of another \$7,000,000.

Mr. WHITE: May I state my position?

Mr. LENNOX: Mr. White suggested there was only \$14,000,000 went into the company.

Mr. WHITE: I have been misunderstood, I think. Let me read this resolution so that we may know exactly what the situation is.

Mr. STEWART: This is an agreement between?

Mr. WHITE: This is an agreement between the Beauharnois Power Corporation, called the corporation and the Beauharnois Light, Heat & Power Company called the Company. Clause 8 reads as follows:—

The Company at or before the execution hereof has paid to the Corporation the sum of Three million eight hundred thousand dollars (\$3,800,000) the receipt whereof is hereby acknowledged by the Corporation, and the Company hereby undertakes and agrees to pay to the Corporation the sum of Seven million seven hundred and fifty thousand dollars (\$7,750,000) in such amounts and at such times and from time to time as may be demanded by the Corporation, and to deliver to the Corporation one or more promissory notes or other evidences of indebtedness representing the said indebtedness of Seven million seven hundred and fifty thousand dollars (\$7,750,000) payable on demand or at such other time or times as the Corporation may require.

That is, the \$3,800,000 which was paid for the shares of the Beauharnois Light, Heat & Power Co., in other words, the money which was paid into the treasury of the Light, Heat & Power Company was paid back by the Light, Heat & Power Company to the Power Corporation; so that these two accounts balance, and the consideration for the issue of the 38,000 shares, is it—

The WITNESS: Yes, 38,000.

Q. —38,000 shares for which the Power Company subscribed in the Light, Heat & Power Company is the work and plans and intangibles which were transferred to the Light, Heat & Power Co.

The CHAIRMAN: By the Syndicate?

Mr. WHITE: No, not by the Syndicate.

Mr. LENNOX: By whom?

Mr. WHITE: By the Power Corporation. They say that they had certain plans and certain things, and they had done certain things and rendered certain services, and for that they got \$3,800,000 which they had paid in cash for the 38,000 shares of the Light, Heat & Power Company. In other words, in effect, when the transaction is completed the 38,000 shares were issued for what is commonly called goodwill.

Then in addition to that:—

The Company hereby undertakes and agrees to pay to the Corporation the sum of Seven million seven hundred and fifty thousand dollars (\$7,750,000) in such amounts and at such times and from time to time as may be demanded by the Corporation, and to deliver to the Corporation one or more promissory notes or other evidences of indebtedness representing the said indebtedness of Seven million seven hundred and fifty thousand dollars (\$7,750,000) payable on demand or at such other time or times as the Corporation may require.

Now, will you observe, please, that the consideration for that agreement to pay that \$7,750,000 is not set out in this agreement, and that is why I am trying as best I may to find out from Mr. Griffith what the actual consideration for that promise to pay was, and I have not succeeded yet. He tells the committee that the corporation, that is, the Power Corporation had agreed to finance and that this evidence of indebtedness was one of the things which was security for the bonds or stood behind the \$30,000,000 issue of bonds.

Now, as the Power Corporation owned all of the shares of the Light, Heat & Power Co., and retained them, obviously the promise to pay \$7,750,000, if it were a valid promise, reduced the value of those shares by exactly \$7,750,000.

The CHAIRMAN: That seems obvious.

Mr. WHITE: So that that cannot have been the reason because that asset which was pledged as the real security for this was, by this very resolution, reduced in value \$7,750,000. This resolution might as well be wiped out now. I suggest to Mr. Griffith now that there was some other reason for it, and I would like to know what it is.

The WITNESS: Well, Mr. Chairman, I can only say there was no other reason for it.

Mr. WHITE: Well, all right, leave it right there as far as I am concerned.

By Mr. Lennox:

Q. Does the Power Company look for payment of that amount at some future time?—A. Yes, it does, prior to 1959.

By Mr. White:

Q. Then perhaps you will suggest, Mr. Griffith, if that is the case, where the Light, Heat and Power Co., is going to get the \$7,750,000.—A. Why, there are a number of places where it may get it. It may after 30 years of operations have something out of earnings. It may clear it up by the issue of some securities in the future.

Q. Bonds, for instance?—A. They may be bonds.

Q. For instance, I said.—A. For instance.

Q. I mean, I suggest to you that if you issue bonds for the purpose of paying this back you thereby reduce the value of the shares which the Power Corporation owns of the Light, Heat and Power Company.

The CHAIRMAN: The danger of that would be, I should think, if you issue bonds of the Beauharnois Light, Heat and Power Co., for any purpose you

are then imperilling the security that is behind the \$30,000,000 bond issue that is now in the hands of the public.

The WITNESS: Well, Mr. Chairman, in this circular and in our trust deed, there are certain restrictions laid down as to the number of bonds which the Beauharnois Light, Heat and Power Co., may issue. Those restrictions, of course, will not exist after this \$30,000,000 has been repaid. But until it is repaid there is a limitation, and very properly, in the amount of bonds which may be issued by the Beauharnois Light, Heat and Power Co.

By Mr. White:

Q. \$50,000,000, is it not?—A. It is set out very carefully in the Trust Deed, and I think perhaps I should have the Trust Deed available for further discussion.

The CHAIRMAN: I presume you call this a prospectus, the kind of a thing at any rate that brokers send to people who might be induced to buy.

Mr. WHITE: I wonder if I might have one of those.

By the Chairman:

Q. The first thing that you say in this with respect to security is:—

The collateral trust bonds are to be secured by a first fixed and specific charge on all the shares at any time outstanding of Beauharnois Light, Heat and Power Company, Beauharnois Construction Company, Beauharnois Land Company and Beauharnois Transmission Company, on any shares of any other corporation acquired with the proceeds of the Collateral Trust Bonds and on the principal of other corporation acquired with the proceeds of the Collateral Trust Bonds, and on the principal of all indebtedness in favour of the Corporation arising from the application of the proceeds of the bonds, and also by a first floating charge on the undertaking, property and assets, present and future, of the Corporation. The first fixed and specific charge on the shares of such companies is not to prevent the issue by any of such companies of bonds, debentures or other securities or other evidences of indebtedness but the issue of such bonds, debentures or other securities by Beauharnois Light, Heat and Power Company is to be permitted only:

That is the first security behind that \$30,000,000 issue of bonds at present in the hands of the public. Now, in the repayment to the Beauharnois Power Corporation of any moneys, you suggest that it might be repaid by a bond issue of the Beauharnois Light, Heat and Power Co., and I suggest to you that that would be an unfortunate thing because it would, to that extent at least, imperil the repayment of the \$30,000,000 bond issue in the hands of the public. I may be quite wrong about that.—A. Mr. Chairman, I only suggested that the repayment might be completed through the sale of securities, possibly bonds, in which event this \$30,000,000 bond issue will be repaid to the public.

By Mr. Jacobs:

Q. And a new bond issue created?—A. A new issue created. But the remarks in respect to this issue of bonds, will not they be applicable, because the bonds will have been repaid and cancelled.

Mr. WHITE: That cannot be the case because right in this very circular there is this statement:

It is proposed that Beauharnois Light, Heat & Power Company shall issue in due course bonds, debentures or other securities in such principal amounts (estimated at \$50,000,000) as its Directors may from time to time consider sufficient.

Mr. JACOBS: That would not affect the first mortgage security. These are subsequent securities which would have to be issued only after the first securities have been taken care of.

The WITNESS: The Beauharnois Light, Heat & Power Company will require those securities for two purposes possibly, the first purpose being to secure enough funds to complete its work. The second purpose, which is not contemplated—but which I just suggest—would be to secure funds in order to effect the repayment of this bond issue.

By Mr. White:

Q. But there is no such obligation.—A. No, but I was asked how the Beauharnois Light, Heat & Power Company would repay to the Beauharnois Corporation the money required to redeem these bonds, and I suggest it might be done through the sale of securities.

Q. Now, the purpose of the issue of the \$50,000,000 of bonds of the Light, Heat & Power Co., is also set out here, and it does not say or suggest that it is for the purpose of repaying this \$7,750,000; but it does say that it is to complete the installation of 500,000 horse power. However, there we have it.

The CHAIRMAN: A copy of this is put in as an exhibit, is it not?

Mr. WHITE: Not yet.

The CHAIRMAN: Then this prospectus will be Exhibit No. 71.

Mr. WHITE: Then clause 13 of this agreement—

The CHAIRMAN: Just before you proceed, Mr. White, if Mr. Montgomery would be so kind or good enough to give us his view as to what is going to happen in connection with this \$7,000,000, if it is going to be paid back, if it was ever intended to be paid back, and what form will it take?

Mr. MONTGOMERY: Well, I am speaking largely from what I have heard here this morning. I have not had anything to do with that. I am not the solicitor of the company.

The CHAIRMAN: So that you will not think I have any sinister motive in asking you, I may say that I was prompted to do so by my friend Mr. Jacobs.

Mr. MONTGOMERY: It seems quite evident that the Beauharnois Power Corporation owning 100 per cent of the Beauharnois Light, Heat & Power Co., borrowing those moneys for its benefit, instead of making one issue bonds of the Beauharnois Light, Heat & Power Company made a collateral trust bond issue first. They split the thing in two portions. They secure the money by direct bond issue upon the Beauharnois Light, Heat & Power Company, upon its assets. All those moneys are borrowed for the construction of the plant, and obviously the company that owns the plant will have to repay the moneys. There is a discount of \$3,000,000 on the sale of the bonds, and \$4,000,000 went to pay for the rights that were acquired. There has to be an evidence of indebtedness on the part of the Beauharnois Light, Heat & Power Company, and apparently there is a difference between the \$30,000,000 and \$22,000,000.

Now, the moneys to be paid of course, are provided for by a sinking fund, in part at least. I have not figured just how far that sinking fund provision retires the balance; but if there is a balance at the end of the period why the thing will be paid, or a new bond issue made for the purpose of refunding this debenture issue.

The CHAIRMAN: Did you gather from Mr. Griffith's evidence the reason why the Beauharnois Power Corporation still hold the Beauharnois Light, Heat & Power Co. to the repayment of this \$7,000,000.

Mr. MONTGOMERY: Why, because I think Beauharnois Light, Heat & Power Co. is a source of revenue, and they will repay the \$30,000,000 debenture issue through the holding or owning company.

The CHAIRMAN: The Beauharnois Light, Heat & Power Co., it is anticipated, will ultimately pay to the Beauharnois Power Corporation or repay to the Beauharnois Power Corporation a total of \$30,000,000 plus the accrued interest from time to time.

Mr. MONTGOMERY: As required for the extinction of these debentures. I might say that Mr. White is in the room and he can explain that.

Mr. WHITE: Just while you are there, Mr. Montgomery: As I read the whole of this agreement, is it not contemplated that the profit by the sale of electricity will be made by the Transmission company?

Mr. MONTGOMERY: As I gathered it from the evidence here that was one of the differences of opinion between Mr. Jones and Mr. Sweezy and the Dominion Securities as to whether all the moneys should be raised by a direct issue of Beauharnois Light, Heat and Power Company bonds, or whether they should adopt this scheme of dividing it in two.

The CHAIRMAN: Is it only to be divided in two under this scheme?

The WITNESS: Yes, Mr. Chairman.

The CHAIRMAN: Or will there be a progression of money raising efforts as the money may be required from time to time?

Mr. MONTGOMERY: Well, I cannot tell you that. I fancy, however, with the bond issue stipulated there, that they will create such portion of it as they think is required for the completion of the plans.

The CHAIRMAN: That is, on the security of the bonds of the Beauharnois Light, Heat and Power Company.

Mr. MONTGOMERY: Yes, precisely. You see, that is on the third page, you will find a reference to it there. It has just the same effect exactly as if they had followed the scheme propounded by Mr. Jones of a direct first issue instead of doing it by Collateral Trust Bonds.

The CHAIRMAN: Mr. Jones' idea was to anticipate the total requirements of the Power Corporation and make one issue so that all the money would be made available before the project was commenced.

Mr. MONTGOMERY: And that one issue would have been to the Beauharnois Light, Heat and Power Company.

The CHAIRMAN: Backed up by its assets.

Mr. MONTGOMERY: At that time a direct first mortgage issue on all its assets.

The CHAIRMAN: Mr. Sweezy's plan was to from time to time, and through the various companies, the agency of the various companies to feed the bonds out to the public in pathological doses.

Mr. MONTGOMERY: Well, not exactly that. You see, it was to reserve the right, in the first place; they did not want all the money at that time. That is quite clear. Mr. Jones said even at the loss of interest he would like to see it all there; and to avoid having to put up \$50,000,000, we will say, or \$60,000,000, or whatever was required they created a junior issue first of \$30,000,000 which leaves them obviously in a very much stronger position to put out a senior issue.

Mr. JACOBS: This is a junior issue.

Mr. MONTGOMERY: Which they sold first.

Mr. WHITE: In what respect is my learned friend using the word "junior issue"?

Mr. MONTGOMERY: Obviously it is a junior issue of Collateral Trust Bonds with a reservation.

Mr. WHITE: It is only senior so far as the assets of the Beauharnois Light, Heat and Power Company are concerned.

Mr. MONTGOMERY: A Collateral Trust Debenture issue reserved the right to create a first mortgage charge, and that is the thing which constitutes the security. This reserved the right to acquire, and is a direct first mortgage on the properties, to complete the construction. It is obviously a junior security, because first mortgage bonds on the property behind the shares will be subject to a mortgage.

Mr. WHITE: In that sense my learned friend is perfectly correct. But there is another suggestion in regard to this.

Mr. MONTGOMERY: What I want to make clear is that it makes absolutely no difference to the Beauharnois Light, Heat and Power Company as regards their liability as to whether they put up this security direct for the whole thing, according to the Jones' plan, or whether it is divided into junior first and senior afterwards. They are liable to the amount of indebtedness to the public.

Mr. JACOBS: The point that is a little bit puzzling to me, Mr. Montgomery, was the insinuation made to Mr. White, which may be correct, that \$7,750,000 of money which is being raised out of this first bond issue, or this issue already put out, is in some mysterious way to disappear, and that the Beauharnois Light, Heat and Power Company, is not going to have the benefit of it.

Mr. MONTGOMERY: Oh, no.

Mr. JACOBS: I gathered that.

Mr. MONTGOMERY: I do not know whether Mr. White meant that or not.

The CHAIRMAN: Mr. White was reading from the record and those records leave it open to the suggestion.

Mr. JACOBS: It certainly gave me that impression.

Mr. MONTGOMERY: Obviously the company has to take care of that gap between the \$22,500,000 that they have received and \$7,750,000 which has to be paid to the public. My thought was that there should be some evidence of indebtedness.

Mr. JACOBS: I have the idea that there is \$7,500,000 between the \$22,500,000 and the \$30,000,000, and another \$7,500,000.

Mr. MONTGOMERY: No, no. I do not think Mr. White meant that.

Mr. WHITE: That is correct.

Mr. MONTGOMERY: What, in addition to the \$30,000,000.

Mr. WHITE: That is the situation.

Mr. MONTGOMERY: That is absolutely not correct.

Mr. WHITE: Of the \$30,000,000, \$3,000,000 were absorbed in the—

The CHAIRMAN: Were dissipated.

Mr. WHITE: By way of discount. I say absorbed Mr. Chairman. \$4,750,000 went to the payment of the Syndicate assets. That is \$7,750,000. Now, that has gone, and that is the \$7,500,000 referred to here which has to be paid back. I have just one suggestion in regard to it. You will remember that at the time this agreement was drawn it was contemplated that the Beauharnois Light, Heat and Power Company would be entitled to take a contract on a cost plus basis, that is cost plus 12½ per cent.

The WITNESS: The Construction Company.

Mr. WHITE: The Construction Company, and it may be possible that that may have something to do with this feature.

Mr. MONTGOMERY: Mr. White, if you would not mind examining your namesake Mr. White, he will clear it up and do it much more satisfactorily than I can.

The CHAIRMAN: We will adjourn until 2.30.

The Committee adjourned at 1 p.m. to resume at 2.30 p.m.

AFTERNOON SESSION

On resuming at 2.30 o'clock.

Mr. WHITE: Mr. Chairman, Mr. Lennox told me that Mr. Arthur White of the Dominion Securities was here, and desires to say something to the committee in connection with this matter we are discussing. It suits me, if it is the pleasure of the committee, to have Mr. White make a statement now.

Mr. MONTGOMERY: I understand what he really wanted was to be given an opportunity to make a statement on everything, and to get away.

Mr. WHITE: Oh well, that is rather different.

Mr. MONTGOMERY: I misunderstood the matter, myself.

Mr. LENNOX: Probably you can examine Mr. White later.

Mr. MACKENZIE: Don't you think we should clear up this point we were discussing before lunch?

Mr. WHITE: Will to-morrow suit your convenience, Mr. White? We shall endeavour to suit your convenience in that way.

Just in connection with this matter that we were discussing. It seems to me to have clarified itself in my mind, and perhaps I shall be able to make a statement in regard to it which will meet with the views of counsel.

A bond issue of \$30,000,000 of the power company, and a discount of \$3,000,000 making \$27,000,000 received by the power company. Of that, \$4,750,000 went to the syndicate to purchase the syndicate assets, leaving \$22,500,000 in the treasury of the power company as the net residue of the sale of the bonds. That \$22,500,000 was paid over to the Light, Heat and Power Company as a loan and the transaction might well end there if it were not for the fact that in order to create—as Mr. Montgomery points out is all the same thing anyway; that is, the bond company owns 100 per cent of the power company, the bond issue in the first place might well have been an asset of the Light, Heat and Power Company, that \$30,000,000, that corporate asset would have been \$30,000,000—in order to create the situation by which there is an obligation on somebody's part to the power company to the extent of \$30,000,000. This evidence of indebtedness is set out in this agreement. By adding to the \$22,500,000, which was actually received by the company, seven and a half million dollars, it makes thirty millions. That should be qualified in this way, and I propose to ask Mr. Griffith in a moment or two about these transactions. Out of these moneys somewhere came \$3,800,000. In the first place, the power company purchased from the Light, Heat and Power Company for cash, 38,000 shares, and paid \$3,800,000 in cash, according to the corporate record. That money was returned to the power company by the Light, Heat and Power Company according to this agreement, and as has already been pointed out more than once, the shares of the Light, Heat and Power Company were issued to the power company practically for good will and intangibles. It really does not matter, because it is a 100 per cent subsidiary.

The CHAIRMAN: Thirty-eight thousand is a cross entry.

Mr. WHITE: Yes.

Mr. FORSYTHE: That is hardly correct, Mr. White, that it came out of the cash, because it is really a cross entry in the books, that is all.

Mr. WHITE: The point is that the principal asset of the power company upon which these bonds are based is the stock which was set out as a liability and cross entry, if you like, of \$3,800,000.

The CHAIRMAN: Where does the \$3,800,000 come from to pay for the Light, Heat and Power Company's 38,000 in stock?

Mr. WHITE: Probably the transaction is a book-keeping transaction.

The CHAIRMAN: It never was paid?

Mr. WHITE: I do not suppose so.

Mr. MONTGOMERY: It was a cross entry.

Mr. FORSYTHE: Mr. White, they exchanged cheques, it is really the same as a cross entry.

Mr. WHITE: That \$3,800,000 of the Light, Heat and Power Company was issued, as I say, in consideration really of the good will and intangibles. Then, in addition to that, it should be pointed out at this stage, of the \$4,700,000 that was paid to the syndicate, there was a very considerable profit to the syndicate members, and as to that, I shall have to ask Mr. Griffith. I propose to ask him what the gross amount of that profit was. We can easily figure it out, but it would be more convenient to have it in that form. We all agree that is a fair statement of the situation.

Mr. FORSYTHE: I think so.

Mr. STEWART: Are all of the shares of the Beauharnois Light, Heat and Power, the 38,000, common?

Mr. WHITE: I think 2,000 originally issued to the Roberts, which came over to the syndicate through the Sweezey option or agreement, whichever it is; that is correct, is it not, Mr. Griffith?

The WITNESS: Yes, Mr. White.

Q. So the total issue of the Light, Heat and Power Company is 40,000-\$100 par shares, of which the power company acquired 38,000 shares under this agreement, as I have indicated, and 2,000 shares from the syndicate, which the syndicate had acquired from Robert; that is correct, Mr. Griffith?—A. That is right, sir.

Q. I am making it clear to you?

Mr. MACKENZIE: Quite clear.

Mr. JACOBS: All that the company would be obliged to pay the Light, Heat and Power Company is \$30,000,000.

Mr. WHITE: That is their total undertakings to the company. When I say "total" I mean total receivable of the power company as against the Light, Heat and Power Company.—A. That is right, Mr. White.

Q. Mr. Griffith, what was the total profit made by the syndicate?—A. I have a statement of that.

Q. May I have it?—A. Mr. Collins, have you the statement of the syndicate profit? The two auditors sent one.

Mr. COLLINS: It is not here.

The WITNESS: Can you have them sent up from the hotel?

Mr. COLLINS: Yes.

The WITNESS: I may say this, it is the difference between the cash profit, \$3,750,000 and \$1,761,000. The difference between \$3,750,000 and \$1,761,000.

Mr. WHITE: That is the total?—A. Cash profit.

Q. Received?—A. I think I have—

Q. Just a moment. The total received by the syndicate from its members, the total amount paid in was \$1,760,000, as you told us yesterday?—A. I believe the chairman put a question mark opposite the \$200,000.

By the Chairman:

Q. Yes?—A. I said that the syndicate had received, both syndicates taken together had received \$1,761,000 in cash, and I said that I thought you qualified that with a question mark at the \$200,000.

By Mr. White:

Q. I have just forgotten what the \$200,000 were?—A. The value placed on the Sterling shares.

Q. Oh, yes?—A. So, if we take that \$1,761,000 the syndicate members received and divide \$3,750,000.

Q. In money?—A. In money.

By Mr. Lennox:

\$3,000,000?—A. \$3,750,000.

Mr. WHITE: That is \$1,989,000.

Mr. MACKENZIE: That is right.

The WITNESS: Yes.

By Mr. White:

Q. In addition to that?—A. Received one million in par value shares.

Q. Which would be additional profit?—A. Additional profit.

Q. And at \$5 per share, that would be \$5,000,000, and at \$10 a share, would be \$10,000,000?—A. Right; it would depend at whatever you value the shares.

Mr. LENNOX: That is net profit.

Mr. WHITE: \$1,989,000 net profit, in money.

By Mr. White:

Q. Well, it is \$1,989,000 net profit in money, and these shares which are selling we are told to-day,—have they gone down again to-day?—A. I have not heard, Mr. White.

Q. They were selling at \$5.50 yesterday or thereabouts?—A. I think I should point out that this statement which I have agreed to produce will clarify that to some extent, because in addition to the cash paid in very heavy liabilities were assumed.

Q. From which the persons who were liable have been released?—A. Since that date. But at the time that the profit was made those liabilities did exist.

Q. We are not discussing, as I understand it now, the righteousness or unrighteousness of making the profit. I am just endeavouring to find out what it is?—A. I just wish to have the record clear on it, that is all.

Q. And that would be, at \$5 a share, \$6,989,000 on an investment of \$1,761,000. Do you recognize this as a copy of a statement signed by you on behalf of the Beauharnois Power Corporation Ltd., on the 31st March, 1930?—A. I think it is. I did not compare it, but I imagine it is.

Q. As of the 31st March, 1930. That purports to be a copy of the annual summary as of the 31st March, 1930, of the Beauharnois Power Corporation?—A. Yes.

Mr. JACOB: Was that to the bank or to the Income Tax Department.

Mr. WHITE: Neither. This one is probably correct. It was neither for the purpose of obtaining credit or evading taxes.

Q. There is an item here "discount on bonds \$3,770,000." What is the meaning of that?—A. The item of discount of \$3,770,000 is arrived at by adding together the \$3,000,000 which is the difference between the \$30,000,000, the actual liability, and the \$27,000,000 received and the book value of \$1 per share which was placed on the 770,000 shares which were purchased by the bankers.

Q. I think we all understand it. I was proceeding with paragraph 13 of this agreement:

The Company hereby undertakes and agrees to enter into an agreement with said Beauharnois Transmission Company granting to the

latter the option to purchase from time to time at fifteen dollars (\$15) per horse-power per annum any of the Company's available electric power which at the time of the exercise of such option is not sold or contracted to be sold.

Then there is a question about absence of warranty. By the way, just before we leave that, and so that we may have this picture a little more clear in our mind, the contracts with the Hydro Electric Power Commission of Ontario and with the Montreal Light, Heat and Power Company are made with what company?—A. The Beauharnois Light, Heat and Power Company.

Q. The Beauharnois Light, Heat and Power Company?—A. Yes.

Q. So that whatever revenue accrues in respect to those contracts, or from the sale of power generally, will accrue to the Beauharnois Light, Heat and Power Company?—A. That is right.

Mr. CANNON: Has that contract been produced?

Mr. WHITE: Well, the Chairman saw it. It has not been filed though, that is what you mean, Mr. Cannon. You were looking at it Mr. Chairman. I do not know whether there is anything of importance in it.

The CHAIRMAN: I did not recognize anything in it that would assist the committee. It is a contract for the sale of so much electrical power at \$15 a horse power.

Mr. WHITE: At 85 per cent load factor.

Mr. CANNON: If my learned friend wishes to discuss the contract I think it ought to be before the committee. We cannot discuss the document without having it before us.

The CHAIRMAN: What was the question, Mr. White?

Mr. WHITE: I was going on with these Minutes.

The CHAIRMAN: If it arises we can get copies of it, I presume, if anything turns on it.

Mr. WHITE: There is no difficulty about filing it if it is of any use to the committee.

The CHAIRMAN: There is no use cluttering up the record with a lot of documents that we know the substance of. If it was incorporated in the record I seriously doubt if any member of the committee—and I sure none of the counsel—would understand it. It goes into the business of kilowatt hours, and so on. However, if it appears to be of any importance later on it can be produced.

Hon. Mr. MACKENZIE: The members of the committee might be permitted to see it privately.

The CHAIRMAN: There is nothing in it that I can see that would be of any assistance to the committee, but I do not think we should encumber the record with a long contract the substance of which has just been stated.

Mr. JACOBS: What is the date of that contract?

The CHAIRMAN: It is dated 28th February, 1929.

Mr. WHITE: Then we go on to the Minutes of a meeting of directors of the 3rd of February, 1930, the Beauharnois Light, Heat & Power Company. A new set of general by-laws were adopted. I do not suppose we are particularly concerned with them. And on the 3rd of February, 1930, a meeting of the shareholders was held at which that special by-law enacting the general by-laws was approved, including the repeal of the old by-law. Then a general meeting of the shareholders. There were present in person:—

Messrs. R. O. Swezey, L. C. Christie, H. B. Griffith, R. W. Steele, A. L. Caron.

and the following shareholders by proxy:—

The Royal Trust Company, H. B. Griffith.

By Mr. White:

Q. How did the Royal Trust Company become interested, Mr. White, as a shareholder?—A. Subsequent to the date of issue of the Collateral Trust Bonds of the Beauharnois Power Corporation the Royal Trust Company became, as trustee for those bonds, the holder for all the shares of the Beauharnois Light, Heat & Power Company other than Directors qualifying shares.

Mr. WHITE: I see. And the following were elected directors at a meeting of the 3rd March, 1930:—

Honourable W. L. McDougald, M.D., Messrs. M. W. Wilson, Aime Geoffrion, J. H. Gundy, J. P. Ebbs, S. Godin, Jr.

Then a meeting of directors was held on the 19th of March, 1930. The directors at this time appear to be:—

Messrs. R. O. Swezey, S. Godin, Jr., G. H. Montgomery, J. H. Gundy, R. A. C. Henry, H. B. Griffith, Honourable Philippe Paradis

By Hon. Mr. Mackenzie:

Q. Who is Mr. Godin?—A. He is a director of the Montreal Light, Heat & Power Co. He is in Sir Herbert Holt's office, in the capacity of secretary or otherwise.

Mr. WHITE: He and Mr. Montgomery were inherited through the transaction with the Montreal Light, Heat and Power Co.

The WITNESS: That was part of the goodwill.

Mr. WHITE: That was the goodwill.

The Secretary reported that Messrs. J. P. Ebbs, A. L. Caron and R. W. Steele had ceased to be qualified as Directors of the Company, and that as a result three vacancies existed on the Board of Directors.

And it was then that Mr. Henry, Mr. Montgomery and the Honourable Philippe Paradis were elected.

The CHAIRMAN: What date is that?

Mr. WHITE: March 19, 1930, sir. Mr. Henry was made Vice-President, Mr. H. B. Griffith, Treasurer, Mr. L. C. Christie, Assistant Secretary, and Mr. E. S. Coleman, Assistant Treasurer.

A resolution was passed:

That the President or Vice-President and the Secretary or Assistant Secretary be authorized to conclude and execute an agreement with the New York Centrad

Then there is reference to an agreement with the city of Valleyfield with which we are not concerned.

A meeting of directors, 21st of May, 1930, all the directors being present except Mr. Montgomery, when a special by-law "B" was passed in regard to borrowing, which is the usual borrowing by-law and banking by-law, usually matters of form.

And on the 21st of May, 1930, a meeting of shareholders was held, I assume to ratify these special by-laws. And evidently the Board of Directors had been increased, because there is a resolution of that date by which the following are elected as directors:

Honourable W. L. McDougald, M.D., Honourable Philippe Paradis, Mr. R. O. Sweezey, Mr. R. A. C. Henry, Mr. Hugh B. Griffith, Mr. A. F. White, Mr. M. W. Wilson, Mr. Aime Geoffrion, Mr. S. Godin, Jr., Mr. J. H. Gundy, Mr. G. H. Montgomery.

The CHAIRMAN: Is this the first time the Hon. Philippe Paradis appears as a director?

Mr. WHITE: No. He was made a director on March 19. Then a meeting on the 21st of May, 1930, with the officers here set out:

President—Mr. R. O. Sweezey.

Vice-Presidents—Mr. A. F. White and Mr. R. A. C. Henry.

Secretary-Treasurer—Mr. H. B. Griffith.

Assistant Secretary—Mr. L. C. Christie.

Assistant Treasurer—Mr. E. S. Coleman.

Then there is a banking resolution and signing officers were appointed.

On the 17th of September, 1930, this resolution was passed:

That Mr. F. Stuart Molson be authorized to execute on behalf of the company a deed of agreement. . . .

That is the agreement with the town of Beauharnois, we will not bother with that.

Then on the 15th January, 1931, a meeting of directors, at which were present:

Honourable W. L. McDougald, Honourable Philippe Paradis, Messrs. J. H. Gundy, S. Godin, Jr., H. B. Griffith, M. W. Wilson, G. H. Montgomery.

And a by-law was passed in regard to the issue of some bonds, and the directors were authorized to create an issue of ten-year six per cent first mortgage bonds of the company to the extent of \$20,000,000.

By Mr. White:

Q. Has that been done, Mr. Griffith?—A. Yes it has, Mr. White.

Q. Have those bonds been issued?—A. Yes.

Q. They are the ones you referred to yesterday as having been used for the purpose of financing?—A. Yes, sir.

Q. They have not actually been sold but are used as collateral?—A. That is right.

By the Chairman:

Q. What security is behind those bonds?—A. They constitute a first charge on all the assets of the Beauharnois Light, Heat & Power Company.

Q. That is, on the assets of the company?—A. A first charge on all the company's assets.

Mr. MONTGOMERY: They will be replaced, of course, when a public issue is made.

By the Chairman:

Q. But at the moment they would take priority over anything else?—A. Yes, that is true.

Q. That covered all the assets of the Beauharnois Light, Heat & Power Co.?—A. All of the fixed assets, a floating charge on the other assets.

Mr. WHITE: Then on the 15th of January, 1931, a resolution was passed creating the issue of \$20,000,000 of bonds.

The CHAIRMAN: That is a further issue of \$20,000,000?

Mr. WHITE: No, it is the same issue.

Q. That is right, is it not, Mr. Griffith?—A. That is right.

Q. That was a resolution, the first was, and this is a by-law carrying it out?—A. Carrying out the terms of the by-law.

Mr. WHITE: The third paragraph reads:—

That to secure the payment of the principal and interest of the bonds and other moneys secured thereby, and to secure the covenants of the company in the said Trust Deed, the Company—

(a) Do cede, convey, assign, transfer as security, hypothecate, mortgage, pledge and charge as and by way of a fixed and specific hypothec, mortgage, pledge and charge to and in favour of Montreal Trust Company as Trustee and its successors in the trust for the benefit of the holders of the said bonds, for and with the payment of the principal sum of Twenty million dollars (\$20,000,000) being the aggregate principal amount of the said bonds and interest thereon at the rate of Six Per Cent (6%) per annum, and of the bonds at any time outstanding according to their tenor and interest thereon, and for and with the payment of an additional sum of One million five hundred thousand dollars (\$1,500,000) to secure the due payment of all other sums from time to time due to the Bondholders or to the Trustee; the real and immovable property and rights, and the other rights and assets of the company described in the Schedule contained in the said Trust Deed (the whole being sometimes herein referred to as the specifically mortgaged premises), the whole as specifically set forth in the said Trust Deed.

So that they had everything.

The WITNESS: Mr. White and Mr. Chairman, I hesitate to suggest that any part of our minutes be not read into the record, but the next resolution and I think some further ones deal with our current relationships with some of the chartered banks of Canada as to the extent and nature of current advances and the conditions under which they are being made, and I would suggest that it is not in the public interest to read them into the record. Perhaps Mr. White would have regard to that.

Mr. WHITE: I had no intention of doing so, Mr. Chairman.

The CHAIRMAN: I think Mr. Griffith is right. If any member of the committee cares to see it they are at perfect liberty to do so. It would serve no useful purpose and would be harmful to put it in the record.

Mr. WHITE: Then at page 67:—

The Chairman laid before the meeting a contract which had been entered into on the 19th November, 1930, between this company and the Montreal Light, Heat and Power Consolidated replacing a contract dated the 3rd day of December, 1929, between the same parties and providing for the sale by this company and purchase by Montreal Light, Heat and Power Consolidated of two hundred thousand (200,000) horse-power of electrical power at the rate of fourteen dollars and sixty-five cents (\$14.65) per horse-power, subject to the terms and conditions as set out in the said contract.

After discussion, upon motion duly proposed and seconded, it was unanimously Resolved:—

That the action of the Vice-President and Secretary of the Company in signing the said contract on its behalf be and the same is hereby ratified and approved.

Then on the 18th of February, 1931, at a meeting of directors:—

Reference was made to the fact that this Company had filed an application with the Province of Quebec for grant to it of additional water rights in the Soulanges section of the St. Lawrence River.

It was moved by Mr. M. W. Wilson, seconded by Mr. S. Godin, Jr., and unanimously Resolved:—

That the action of the President and the Secretary in making application to the Lieutenant Governor in Council of the Province of Quebec for grant to Beauharnois Light, Heat and Power Company of additional water rights in the Soulanges section of the St. Lawrence River be and it is hereby approved, and that the President or a Vice-President and the Secretary or Assistant Secretary be and they are hereby authorized to execute on behalf of the Company a lease with the Minister of Lands and Forests of the Province of Quebec containing such terms, conditions and provisions as may be approved by the officers executing the same such approval to be conclusively established by the execution of the said lease by such officers.

Then there are some questions as between the companies and municipalities in regard to roads and so on.

Then a meeting of directors on the 6th of March, 1931:

Resolved: That the Annual Report to the Shareholders as drafted by the President and submitted to the meeting, be and it is approved, and the balance sheet of this company, as submitted to the meeting by the Treasurer of the Company, be and it is approved, and that Messrs. Swezey and Henry, two of the Directors of the Company, be nominated to sign the said balance sheet on behalf of the Board, and that the actions of the officers and employees of this Company during the fiscal year ended December 31, 1930, be and they are approved.

By Mr. White:

Q. Could I have that statement, Mr. Griffith, please?—A. The financial statement at the end of the year, yes sir.

Q. Could I have it?—A. Yes.

Q. I suppose there is not one immediately available?—A. No. - I imagine Mr. King has that.

Q. Then a modification of the agreement with the Beauharnois Construction Company is mentioned and this was referred to by Mr. Griffith earlier, by which the payment of 12½ per cent payable to the Beauharnois Construction Company in connection with the agreement—the officers are given power to deal with that and I understand that it was cancelled really.—A. That is correct Mr. White.

Q. That is, that the agreement to pay 12½ per cent was cancelled?—A. Yes.

Q. Then there is this minute:

That the action of the officers of the Company. . . ."

The CHAIRMAN: Does that resolution give any reason for its cancellation.

Mr. WHITE: Here is the whole resolution:

That the President or the Vice President and the Secretary be authorized to enter into an agreement on behalf of this company with Beauharnois Construction Company modifying the agreement dated 6th November, 1929, so as to amend, reduce, cancel or postpone, in such manner as the said officers may deem expedient, the payment of the fee of twelve and one-half per cent (12½ per cent) payable by this company to Beauharnois Construction Company in connection with the said agreement.

By the Chairman:

Q. At the risk of repetition, Mr. Griffith, will you just shortly tell me why that agreement was entered into in the first place?—A. Mr. Chairman, that is what we began to wonder when the end of the year came and we discovered

we had accumulated a profit which was not in reality a profit at all. After discussing it with the auditors they said: What is the purpose of this? We visualized at the outset the Beauharnois Construction Company as a contractor, and we took a contract on a cost plus basis, the usual contractor's cost plus 12½ per cent, not realizing what implications might result. At the end of the year we entered into this resolution to cancel it.

Q. That does not clear it up in my mind, Mr. Griffith. I may be dense in this. The Construction Company was owned in its entirety by the Power Corporation.—A. Yes, sir.

Q. I assume that the Construction Company was incorporated for the purpose of probably facilitating the segregation of the effort?—A. Quite.

Q. Work costs, or something of that character.—A. Quite.

Q. Set up as a working unit under the Power Corporation itself?—A. Yes.

Q. The Power Corporation owning everything.—A. The Construction Company existed before the Power Corporation ever did.

Q. At any rate, whether it did or did not that is the ultimate result.—A. Quite.

Q. Now then, that being the case why even encumber the record, when the Construction Company as a unit, if I may put it that way, of the Power Corporation—why even encumber the record with a contract whereby apparently a profit was going to be paid to anybody?—A. It would only have been taken from one pocket to the other, and that would have been a foolish procedure.

The CHAIRMAN: We have been going from one pocket to another so often in this that I cannot see the reason for it.

Mr. JACOBS: It is a case of where the left hand did not know what the right was doing. May I suggest that they would evade paying income tax to the government by that procedure.

The WITNESS: You may be partly right, Mr. Jacobs.

By the Chairman:

Q. Could there be any speculation? Do you know why it was done?—A. I do not know why it was done. I know why it was cancelled.

Hon. Mr. MACKENZIE: It was undone.

The CHAIRMAN: Well all right. If you do not know I will not take up any more time.

Mr. WHITE: Then the next resolution:

That the action of the officers of the Company in instructing the Company's agent, Marquette Investment Corporation, to sell for the sum of ten thousand dollars (\$10,000) lots four hundred and thirty-one (431) and four hundred and eighty-seven (487) to Omer Maher of the Parish of St. Timothee, county of Beauharnois, be and it is hereby approved.

By Mr. White:

Q. What was that, some land you did not require?—A. Some land we had purchased in excess of what we required.

Mr. WHITE: Then there is a meeting of the 25th of March, 1931:

That the report of the Board of Directors submitted to this meeting for the fiscal year ending December 31, 1930 and the balance sheet and report of the auditors be and they are hereby approved; and that the acts of the Board of Directors be and they are hereby ratified and confirmed.

Then the directors elected are as follows:

Honourable W. L. McDougald.

Honourable Philippe Paradis.

Messrs. R. O. Sweezey.

R. A. C. Henry.

Hugh B. Griffith.

A. F. White.

M. W. Wilson.

Aime Geoffrion.

S. Godin, Jr.

J. H. Gundy.

G. H. Montgomery.

The same board as previously. And Messrs. P. S. Ross & Sons appointed auditors.

Then a meeting of the directors. Signing officers are spoken of, and Mr. Sweezey is made President, Mr. Henry, Vice-President, Mr. A. F. White, Vice-President, Mr. H. B. Griffith, Secretary-Treasurer, Mr. L. C. Christie, Assistant Secretary, and Assistant Treasurers are appointed.

The CHAIRMAN: Mr. Griffith, before we leave that would you mind letting me see the resolutions to which you made reference, the banking resolutions.

My view is that the reason we have not spread upon the record some of the private business of the company is because it probably should not be given out to the public, but I think the committee should have it. Is there just one resolution?

The WITNESS: That is all, sir.

Mr. WHITE: I assume, Mr. Chairman, that it is simply the ordinary banking resolution. That brings us to the minutes of the power corporation—the Beauharnois Power Corporation. The first part is the statement in lieu of prospectus that has already been filed. Then there are the By-laws, the general By-laws. I think we are not concerned with these. They number 1 to 37, inclusive.

The CHAIRMAN: There is just one By-law I would like to make some reference to. Is there a By-law whereby—perhaps I have reference to the syndicate—whereby any of this Board of Directors will be maintained permanently on the board?

Mr. WHITE: There is only the provision for five voting shares—five shareholders who are to be nominated in effect—nominated by Newman, Sweezey and Co., and the Dominion Securities Corporation, and those five shareholders have the right to elect the board of directors for a period of ten years.

The WITNESS: Those are the management preferred shares to which reference was made yesterday. That is the only control feature which exists.

By the Chairman:

Q. That was what you were explaining yesterday, or justifying it, by stating that in this project it being one that would cover a period of time to its completion, it was desirable to have a continuity of management?—A. That is right, sir; and that is secured through these management preferred shares.

Sir EUGÈNE Fiset: Five management shares control the election of directors?

Mr. WHITE: For a period of ten years.

By Mr. Gardiner:

Q. Who controls the five manager shares?—A. I believe I have a shareholders' list that will show the way in which they were recorded. If I can

trust to my memory three of them are held by Robert O. Sweezey and A. F. White jointly, and two are held by the Hon. W. McDougall.

Q. Did these three companies dispose of those five management shares in that way?—A. They did. They were transferred by Newman, Sweezey and Dominion Securities, who purchased them jointly, to the persons who now hold them.

By the Chairman:

Q. Who now can control the appointment of the board through these manager shares?—A. I presume Mr. White and Mr. Sweezey, acting together, or Mr. White and Senator McDougall.

Q. Am I right in saying that Mr. White and Mr. Sweezey, acting together, could procure the appointment of the board?—A. That is right, sir.

By Mr. White:

Q. Or any two of the three?—A. There is a fine point which has never been settled in my mind, and it has never arisen for settlement. As I said three of the shares, a majority, are registered in the joint names of Sweezey and White.

By Hon. Mr. Mackenzie:

Q. They are compelled to act together?—A. I do not know what would happen if they would disagree. I am glad to say they have not disagreed as yet.

By Mr. Gardiner:

Q. In view of the fact that the two companies—Newman, Sweezey and Dominion Securities—first possessed these management shares, are they in position to appoint other managers if they desire?—A. Not now. They have divested themselves of that right by selling these shares to Sweezey, White and McDougall.

By Mr. White:

Q. That is only theoretical. You do not know, of course, whether as between Newman, Sweezey and Company and Sweezey, and between the Dominion Securities Corporation and White there may be an agreement to vote those shares in any particular way?—A. I do know as between Newman, Sweezey and Sweezey. I do not know beyond that. But I know there is no such agreement. Mr. Sweezey has personal ownership of the shares.

Q. Who controls Newman, Sweezey and Company?—A. It is an incorporated company, the shares of which are held by Mr. Sweezey, Mr. Henry Newman, Mr. Molson and myself.

Q. Who is in control?—A. I would have to check this. I imagine that Mr. Sweezey, together with any one of the other three.

Q. Mr. Molson?—A. No one individual holds a majority of the shares.

MR. GARDINER: Do you know what the purchase price of those management shares was, and what they were sold for?

MR. WHITE: \$100 apiece.

WITNESS: No, I beg your pardon, Mr. White; I believe it was one dollar.

By Mr. Lennox:

Q. How did Senator McDougall get in possession or control of two of the manager shares?—A. Mr. Sweezey and Mr. White are responsible for that. Insofar as I and the other partners of Newman Sweezey are concerned, I imagine

also you might term the junior partners, the Dominion Securities Corporation, we left this matter in the hands of our two presidents who are our representatives in that sense, but without any restriction. As I said before, for Newman, Swezey, Mr. Swezey owns the shares personally, and can do as he pleases.

The CHAIRMAN: Have you the date when those shares were so arranged?

Mr. WHITE: When you say so arranged, do you mean—

The CHAIRMAN: When Senator McDougall got two and these others three?

WITNESS: I believe it was concurrently with the issue of bonds which took place early in December, 1929.

By the Chairman:

Q. You mean the issue of the \$30,000,000?—A. Yes.

Q. That was October first?—A. No, that was the formal date; the actual public offering was made by circular on the 5th, I think it was, of December, and actual delivery of the bonds, and organization of the company, were made on the 17th of December, 1929. My recollection is that the actual transfer of these shares took place on the 16th or 17th of December, 1929.

By Mr. White:

Q. By the way, might I have another one of those circulars of Newman, Swezey and Company. I have mislaid my own. At least I filed the copy you gave me this morning?—A. Yes, sir.

Q. The letter of Mr. Swezey, as President of the Beauharnois Power Corporation, Limited, and Newman, Swezey and Company Limited is dated December 2, 1929. I should point out in passing, a matter which will appear later, and this is that so far as the management is concerned, Mr. Henry has a contract for a number of years.

Mr. LENNOX: How many?

Mr. WHITE: Ten years. So that there is something tied in there in line with what you evidently had in mind as to the continuity of management. Then on page 25 of this minute book appears the memorandum of agreement and stock book which was filed with the Secretary of State on the application for incorporation.

Mr. STEWART: What date is that?

Mr. WHITE: It is dated September 3, 1929, and each of eleven persons who are connected with an Ottawa legal firm apply for two shares—two class A shares at \$1.00 each, and one preferred share at \$1.00. No, let me get it correctly. Osmand F. Howe applies for 2 class A shares. Duncan K. MacTavish applies for 2 class A shares and one preferred. Belle Fraser applies for two class A shares and one management preferred. Lila Brennen applies for two class A shares and one management preferred. Edith H. O'Malley applies for two class A shares and one management preferred. M. H. Kelly applies for two class A shares and one management preferred. So that in the original memorandum of agreement there are five management preferred shares subscribed for at \$1.00 a share.

The CHAIRMAN: Who are these people? Clerks in some office?

Mr. WHITE: Mr. Howe is an Ottawa lawyer and Mr. MacTavish is a lawyer, the others are obviously stenographers.

WITNESS: One is O. F. Howe and the other is Duncan MacTavish, barristers-at-law, and the other persons are described as stenographers. That is in the application for Letters Patent.

By the Chairman:

Q. What firm applied for it?—A. McGiverin, Haydon & Ebbs.

Q. We can assume that these people are working in their office?—A. I presume so. None of them are known to us.

Mr. WHITE: The application itself calls them barristers at law, and the others are stenographers. M. H. Kelly is Mary Hilda Kelly. Then we have the application, and we have been over the features of that pretty well, so I will not have to trouble the committee with that. The provisional directors met at the office of Messrs. McGiverin, Haydon and Ebbs on October 30, 1929, and Miss Kelly was elected president, and Miss Lila Brennen secretary, and the president reported the company had been duly incorporated, and by-law number one—the general by-laws, and by-law number 2, the borrowing by-law were passed, and a special meeting of the shareholders was called. I shall have to trouble you a little with this Mr. Chairman, because I think it is necessary to put upon the record in some way that the principal business of this company so far as the contracts were concerned may or may not, as the case may be, have been transacted by these provisional directors. I want to clear that situation up, so I may be a little more careful than I otherwise would be. The meeting was called of the owners of the management preferred shares, and they were as indicated in the application. Then a meeting of shareholders was held on the 30th September, and the by-laws were approved. A meeting of the management preferred shares was held on the 30th September at 11 o'clock, and directors were elected, and they were the provisional directors named in the application. On the same day at 11.15 a meeting of directors was held and authority was given to apply for licence to carry on business and hold lands in any of the provinces where that became necessary. I suppose that would be under the respective extra territorial acts. On a motion duly made it was resolved that the statement in lieu of prospectus now submitted to the meeting be approved and upon the same being signed by every person who is named therein as a director of the company, that the necessary action be taken to file the same with the Secretary of State at Ottawa.

And we have had that as I said before. Authority was given the officers of the company to comply with what are commonly known as Blue Sky Laws with respect to the sale of securities.

The president reported to the meeting that payment in full had been made to the company on behalf of the respective applicants for incorporation of the company who had subscribed for a total of five management preferred shares at the price of one dollar each and twenty-five class "A" common shares at the price of one dollar each in the memorandum of agreement and stock book opened in connection with the application.

On motion duly made, it was resolved:

That the sum of twenty-seven dollars (\$27) paid to the company on behalf of the respective applicants for incorporation of the company who had subscribed for a total of five management preferred shares at the price of one dollar each and twenty-two class "A" common shares at the price of one dollar each in the memorandum of agreement and stock book opened in connection with the application be accepted in full payment for these shares and that the price of one dollar per share be fixed as the consideration for the issue of such shares.

Mr. JACOBS: They started modestly.

Mr. WHITE: Giant oaks from little acorns grow. There was a meeting of the board of directors at the office of McGiverin, Haydon & Ebbs on the 31st of October, Miss Kelly in the chair.

The president reported to the meeting that the statement in lieu of prospectus submitted to the meeting of the board of directors held on the 30th day of September, 1929, at the hour of 11.15 o'clock a.m., had been signed by all of the directors and had been filed in the office of the Secretary of State of Canada on the 30th day of September, 1929.

On motion duly made it was resolved that should the company be advised by its legal advisers at any time that it is necessary to file a prospectus under the Companies' Information Act of the Province of Ontario, the company do file such prospectus, and the directors or a majority of them be and they are hereby authorized to execute such prospectus in the form required by the said Act and that the necessary fees in connection therewith be paid to the proper authorities.

The president submitted to the meeting a proposed memorandum of agreement dated the 31st day of October, 1929, between the Beauharnois Power Syndicate (an unincorporated syndicate organized and existing under and in virtue of an agreement made at the City of Montreal on the 4th day of April, 1929, by and between F. Stuart Molson and others of the first part, and Marquette Investment Corporation of the second part) as party of the first part, and Beauharnois Power Corporation Limited as party of the second part, and Marquette Investment Corporation (a company incorporated under the Quebec Companies' Act) as party of the third part, providing for, the acquisition by the company and/or its nominees upon the terms and conditions therein set out of the undertaking and assets of whatsoever nature of the syndicate (except any unpaid balances and any uncalled for balances for which the syndicate members may be liable to the syndicate in respect of the part interests of the syndicate held by they respectively), the consideration for such acquisition to be—

(a) the sum of \$4,750,000 payable to the syndicate by the company at the time and upon the considerations set out in the said agreement;

(b) the assumption by the company of the liabilities and obligations of the syndicate (except those liabilities and obligations to its members as such; and

(c) an undertaking by the corporation to defray the expenses (to an amount not exceeding \$10,000) of the winding up of the affairs of the syndicate and the distribution of its assets among its members.

The CHAIRMAN: Have we anything on the record to show what the obligations of the syndicate were?

Mr. WHITE: Not at this stage.

WITNESS: I will file now the balance sheet of the syndicate at the 17th of December.

By the Chairman:

Q. The date on which it was consummated?—A. Yes.

Q. Is that a statement showing what those liabilities were?—A. At the date of consummation. That is correct, sir.

Mr. WHITE: Let us have it.

(Balance sheet marked exhibit 72.)

By Mr. White:

Q. The liabilities as set out in the balance sheet show capital liability in respect of 25,000 part interests of \$100 each fully paid, \$2,500,000. That, of course, is not one of the liabilities referred to in this agreement?—A. Correct.

Q. Unmatured balance of purchase price of real estate \$1,068,355.74. That, of course, would be offset by corresponding entry on the opposite side in amongst assets in which the balance would be included in the value of the assets set up as an asset?—A. That is right.

Q. Loans accounts—three banks—\$4,000,000. That is September 23rd, as of the date of the winding up of the syndicate's affairs, and the taking over of the assets and liabilities by the power corporation?—A. Yes, sir.

Q. The Robert interests \$20,000. That is the balance of the purchase price. Bank overdrafts—\$735,737.47. So that the total actual liabilities not referable to earmarked assets would be \$4,755,737.40?—A. \$735,000.

Q. \$755,000. There is \$20,000 to be added?—A. Yes, that is correct.

Mr. LENNOX: Before we leave this balance sheet, Mr. Griffith, I see there is an item here of \$500,000 Beauharnois Construction Company, capital stock. How is that an asset?—A. Certain assets of the syndicate assets which have cost a substantial sum of money; I would have to look it up to get the exact figure.

The CHAIRMAN: Then, this \$500,000 represents assets of the Beauharnois Construction Company?—A. That is right, sir. We had vested in the construction company in exchange for this capital stock some very valuable and expensive assets.

Q. Of what character?—A. Engineering work, the benefit of engineering work, test pits, surveys, some material and equipment, motor cars for example, things of that kind.

Q. Is there any significance in the fact that the balance sheet of the Beauharnois Power Syndicate shows as an asset the total authorized capital of the Beauharnois Construction Company Limited, and the actual assets of the Beauharnois Construction Company were executed the same as capital stock?—A. We can submit—I can prepare and submit a consolidated balance sheet of the syndicate and the construction company together.

Mr. WHITE: You had better do that. There is a time and place for everything.—A. As a matter of fact, the item of \$500,000 capital stock, Beauharnois Construction Company, was balanced by a deduction of \$500,000 from the item \$3,131,768.85.

By Mr. Lennox:

Q. Is that down on the statement?—A. Yes.

Q. There is a deduction?—A. There is a deduction from the item of \$3,138,761.85 of \$500,000. I want to be perfectly frank and say that the survey did not amount to \$500,000; it amounted, if my recollection is correct, to something in the neighbourhood of \$400,000; but set up in that way, one item offsets the other.

By Mr. White:

Q. Well then, as a matter of fact, that deduction and the subsequent division, causes one to balance the other?—A. One offsets the other.

Q. And the amount is set up to represent the total capital stock of the construction company?—A. No.

Q. What did you set it up at \$500,000 for, if that was not the actual amount?—A. That was the actual amount as shown on the books of the Beauharnois Construction Company.

Q. The actual amount of what?—A. Of the book value of the capital stock of the Beauharnois Construction company. I mean the book value of the costs of the assets they purchased from the Beauharnois syndicate.

The CHAIRMAN: What Mr. Griffith says is this: that it was purely by accident and not by design that the total authorized capital of the Beauharnois

Construction company exactly equals their assets. That is as I gather it.—A. No; I am afraid that is not correct.

Mr. JACOBS: Why should we bandy words about paltry hundred thousand dollars when we are dealing in tens of millions?

Sir EUGENE Fiset: It is a difference of one thousand?

The WITNESS: I take it the committee wants to be sure that the \$500,000 has some assets behind it, it is not merely fictitious. I can obtain the exact cash outlay for you, but from memory I think it is about \$400,000.

Mr. WHITE: Which was written up as \$500,000 to absorb the whole capital?—A. Correct.

Mr. LENNOX: Do you see these first two items, one amounting to \$2,484,100, and the other, \$639,746. Do you propose to ascertain how they are made up?

Mr. WHITE: Our auditors have made some enquiry about that.

Mr. LENNOX: We shall have some information.

Mr. WHITE: There will be evidence on that later.

Mr. LENNOX: I thought perhaps Mr. Griffith might give it.

The WITNESS: I would have to have the records here.

Mr. WHITE: You will be pleased to know, Mr. Lennox, in the preliminary expenditure there is a large amount of lawyers' fees.

Mr. LENNOX: So I understand. I do not blame them for that.

Mr. WHITE: Then, this agreement goes on and sets out with more or less particularity the particulars of the agreement which we have already in, and to which we have referred, and after a lengthy discussion and acrimonious debate, on motion duly made, it was resolved that the said memorandum of agreement, dated the 31st day of October, 1929, between the Beauharnois Power syndicate as party of the first part, this company as party of the second part, and the Marquette Investment Corporation of the third party, be approved, and that subject to the approval of the shareholders of the company, the same be executed on behalf of this company by the president, or a vice president and the secretary or an assistant secretary, under the corporate seal of this company, with such modifications, variations, and corrections as may be approved by the officers executing the same, such approval to be conclusively established by the execution of the said agreement by such officers. Carried unanimously.

Ordered that a copy of the said agreement be inserted in the minute book of the company.

The president submitted to the meeting a proposed memorandum of agreement dated the 31st day of October, providing for the creation and issue of 30 year six per cent collateral trust sinking fund bonds, and providing for the sale to Newman, Swezey and Company, and the Dominion Securities Corporation Ltd., of \$30,000,000 in par value of the said bonds together with 770,000 common shares of this company for the price of \$27,000,000.

The CHAIRMAN: The same 770,000 we have dealt with before?

Mr. WHITE: The point being at this meeting of those preliminary, not provisional directors, this transaction was authorized. After discussion, on motion duly agreed, it was resolved that the said memorandum of agreement dated the 31st day of October, 1929, be approved and authority given to execute it.

By-law No. 3 was passed respecting the borrowing of money, which is the usual banking by-law, and a resolution was passed, being the usual banking resolution—at least, I assume it is a banking resolution in the ordinary terms. The National Trust Company is appointed stock transfer agent at its Montreal

office for this company's five management preferred shares without nominal or par value, 1,799,995 class A common shares without nominal or par value, and 3,200,000 class B common shares without nominal or par value. The Montreal Trust Company was appointed the stock registrar. A special meeting of the shareholders was called. On the 31st October, the same day, at a later hour, a special general meeting of the shareholders was held at the office of an Ottawa law firm, McGiverin, Haydon and Ebbs, the shareholders being those already named; and a waiver of notice signed under those various agreements submitted to the meeting and authorized, and the account of the directors in respect thereto approved and confirmed also, the by-law No. 3, being the banking by-law.

Then, a meeting of the management preferred shareholders was held on the 5th November, 1929, all of the five shareholders being present. At this meeting Miss Kelly resigned as a director, having transferred all her class A common shares to Mr. Robert Oliver Sweezey. Her resignation was accepted and Mr. Sweezey was appointed to fill the vacancy.

On the 5th November, at 4.30 o'clock, a meeting of the Board of Directors was held, and Miss O'Malley took the chair. The chairman reported that Miss M. H. Kelly and Miss Lyla Brennan had tendered their resignations as president and secretary of the company, and Mr. Robert Oliver Sweezey was appointed president, and Mr. Hugh B. Griffith secretary. There being no further business, the meeting adjourned.

On the 21st November, 1929, a meeting of directors was held at 10 o'clock in the forenoon. There was submitted to the meeting a draft agreement between Beauharnois Light, Heat and Power Company and the Hydro-Electric Power Commission of Ontario and the resolution was passed authorizing the guarantee of the performance of the contract by this corporation.

On the 3rd December, 1929, a meeting of directors was held, and Miss Fraser took the chair. There was submitted to the meeting a draft contract between the Beauharnois Power Corporation Limited and R. A. C. Henry, securing his services for the corporation for a period of ten years, from January 1, 1930, as vice-president and general manager. That was the agreement I referred to a moment ago. It was resolved that the president and secretary be authorized to execute this agreement.

Then, there is a meeting on the 13th December held at the same place as the former meeting.

The CHAIRMAN: In connection with the Henry contract, Mr. White, are there any further details there?

Mr. WHITE: Not here. I propose to produce the contract.

The CHAIRMAN: Later on?

Mr. WHITE: Yes.

The CHAIRMAN: This ten-year contract is to harmonize with the period of time, the continuity of directors.

Mr. WHITE: I do not know whether it exactly harmonizes or not, but I rather think it does.

The WITNESS: Not exactly. The management preferred shares are dated from the date of incorporation of the company; so there would be a few months difference, but nothing material.

Mr. WHITE: It provides for any possible interregnum.

Mr. JACOBS: Is there anything in the laws in Ontario with reference to the length of time a contract of that kind may last. In our province it is not more than nine years.

Mr. WHITE: We have slavery still in Ontario.

Mr. JACOBS: I noticed that, by the way you work.

Mr. WHITE: Mr. Sweezey was made president at the meeting. The chairman explained to the meeting that this company in virtue of the agreement of 31st October, 1929, between this company and the Beauharnois Power syndicate, proposed to acquire among the assets of that syndicate, 2,000 shares of the Beauharnois Light, Heat and Power Company, and that it was expedient to subscribe for and acquire the balance of the authorized capital stock of that company, namely, 38,000 shares.

It was declared and disclosed to the meeting that Mr. R. O. Sweezey, the president, and a director of this company who is not present at this meeting, was also president and a director of the Beauharnois Light, Heat and Power Company.

On motion duly seconded, it was unanimously resolved that this company do subscribe at \$100 a share for 38,000 shares of a par value of \$100 each of said Beauharnois Light, Heat and Power Company, the said subscription price to be payable forthwith, and so on. There was then submitted to the meeting, an agreement between this company and the Beauharnois Light, Heat and Power Company, by the parties thereto, and bearing date the 20th day of November, 1929, and reading as follows: Between the Beauharnois Power Corporation Limited and the Beauharnois Light, Heat and Power Company, and then follows the agreement which you were discussing a few moments ago. A resolution was passed authorizing the execution of this document.

It was then submitted to the meeting an agreement between this company and Beauharnois Land Company, duly executed by the parties thereto, and bearing date the 20th day of November, 1929, and Mr. R. O. Sweezey's connection with the said land company, which is referred to below in these minutes, was disclosed to the meeting. It was dated the 20th day of November, 1929, and is between the Beauharnois Power Corporation Ltd. of the first part, called the Corporation, and the Beauharnois Land Company, called the Land Company, of the second part, and provides that the corporation agrees that it will cause the Beauharnois Light, Heat and Power Company to enter into agreement with the Land Company, by which the Light Company will bind and oblige itself to transfer and make over, without payment or other consideration on the part of the Land Company, to the Land Company, all lands and other immovable properties which may be acquired by the Light Company whether from the corporation or otherwise, and which may not be required by the Light Company for the purposes of its canal, power house or other works in connection therewith, such lands and other immovable properties to be transferred from time to time as and when it is established that the same are not or are no longer required and will not in future be required for such purposes.

2. In consideration of the foregoing undertaking the land company,

- (a) has paid to the corporation at or before the execution hereof, the sum of \$500,000, the receipt thereof is hereby acknowledged by the corporation, and,
- (b) hereby undertakes and agrees that if any of the lands or other immovable properties so transferred to it by the Light Company should be found to be necessary or useful to the Light Company, or to the Beauharnois Construction Company, or to any other company controlled by the Corporation, for the purpose of disposal areas or other purposes connected with the construction of the Light Company's canal, power house or other works connected therewith, it will on demand of the Power Corporation permit the use of such lands or other immovable properties for such purposes, provided such lands or other immovable properties at the time of such demand are owned by it, the Land Company, and not then in use for other purposes and not under agreement for the sale or other alienation thereof, or not under lease, and;

- (d) hereby undertakes and agrees that it will from time to time on demand of the Corporation grant and convey to the corporation and/or to any other company controlled by the Corporation, such lands then owned by the Land Company, or such rights in or upon the same, as may be necessary for the purposes of construction, maintenance and operation of any railway owned or operated by the Corporation or any other company controlled by it, or as may be necessary for the construction, maintenance and operation of railway sidings, spurs and switches; and
- (e) hereby undertakes and agrees that if any of the lands at any time owned by the Land Company shall be comprised in any lands to which the Government of the Dominion of Canada may become entitled under the provisions of the agreement dated the 30th day of July, 1929, between the Light Company and the said government, it, the Land Company, will on demand of the Corporation or of the Light Company, convey the same to the Government of the Dominion of Canada, without payment on the part of the latter.

Q. I do not quite catch this, Mr. Griffith. The Beauharnois Land Company has apparently paid, according to this agreement, to the Power Corporation, \$500,000. Where did it get the \$500,000?—A. I think you will find in the same minute, the Power Corporation subscribed for 49,989 shares at \$10 a share, providing most of the money.

Q. I see. Somebody put up five dollars for five shares, and the Power Corporation put up the balance, gave to the Land Company, and the Land Company then paid it back to the Power Corporation?—A. Right.

By the Chairman:

Q. It is another cross entry?—A. That is all. The purpose was, it seemed desirable to us that we should segregate this land, which may be called surplus lands, which are required now, and will be required for some time in the future, as disposal areas in connection with construction, and which in future will not be necessary.

Mr. WHITE: There was a very good precedent in the Canadian Pacific Railway.

The WITNESS: Quite.

Q. This agreement with the land company was approved and execution authorized, and then undertakes as Mr. Griffith has said, to authorize the company to subscribe for 49,989 shares of the capital stock of the company at \$10 per share, without nominal or par value of the Beauharnois Land Company, and so on.

There was then submitted to the meeting an agreement between this company and the Beauharnois Transmission company, duly executed by the parties thereto, and bearing date the 20th day of November, 1929, and Mr. R. O. Swezey's connection with the said transmission company, which is referred to below in these minutes, was disclosed, and so on. We have been over that. It was ratified, sanctioned, approved, adopted and confirmed.

It was then explained to the meeting that it was expedient in connection with the business of the company to subscribe for shares of the capital stock of the Beauharnois Transmission company. There was a motion authorizing the officers of the company to subscribe for 49,989 shares of the Beauharnois Transmission company at \$10 per share.

The WITNESS: If I might be permitted, I shall explain that the Transmission company is not an active company; that it has not entered into any contractual obligations or done any business at any time. It appears in the records, but it has not come into being—

The CHAIRMAN: Q. Has it a capital of \$500,000 lying idle?—A. Yes, by paying its taxes.

Mr. WHITE: Then the agreement, which is Exhibit 56, was approved and authority given to execute it on behalf of the company.

Then there was submitted to the meeting a subscription of One dollar (\$1) per share by the Beauharnois Power Syndicate for one million (1,000,000) Class "A" Common Shares (without nominal or par value) of this Company to be allotted and issued to or to the nominees of the Syndicate, the said shares to be paid for at the time of the payment by this company to the Syndicate of the sum of \$4,750,000, provided to be paid to the Syndicate by this Company.

On motion duly seconded it was unanimously resolved: That the said subscription be and it is hereby accepted and that one million (1,000,000) Class "A" Common Shares of this company be and they are hereby allotted to the Beauharnois Power Syndicate and/or its nominees and that certificates for the said shares be issued to the said Syndicate and/or its nominees upon payment of the said subscription price, namely, one million dollars (\$1,000,000).

On motion duly seconded it was unanimously resolved:

That pursuant to By-law Number Two of the Company, the Directors do create an issue of Bonds....

And that issue was created with the conditions attached thereto, and the officers authorize to take whatever steps and sign whatever documents and do whatever is necessary for the carrying into effect of the issue of the bonds:

It was then stated to the meeting that under the Memorandum of Agreement of the 31st day of October, 1929, between this Company of the First Part and Newman, Sweezy & Company Limited and the Dominion Securities Corporation Limited (therein called the "Bankers") of the Second Part, as modified by an Agreement of the same date executed between the Company and the said Bankers and the Beauharnois Power Syndicate, the Bankers had agreed to purchase and the Company to sell, subject to the terms and conditions of the said agreements, Thirty million dollars (\$30,000,000) of this Company's Collateral Trust Bonds and 770,000,000 Class "A" Common Shares of the Company for the price of Twenty-seven million dollars (\$27,000,000) and accrued interest on the said Collateral Trust Bonds to the date of delivery, and that the said Bankers had offered to accept the allotment and issue of twenty-two (22) shares now held by the Directors of this Company as being a satisfaction to that extent of the obligation of this Company under the said agreements to sell and deliver the said class "A" Common Shares of this Company, and on motion duly made and seconded, it was unanimously resolved:

That the said offer be accepted and that accordingly 769,978 Class "A" Common Shares of this Company be and they are hereby allotted to Messrs. Newman, Sweezy & Company Limited and the Dominion Securities Corporation Limited and/or their nominees, and that the said shares be issued to them and/or their nominees together with the said Collateral Trust "Bonds upon payment for the said Bonds and shares in accordance with the terms, provisions and conditions of the said two agreements."

On motion duly seconded it was unanimously resolved:

That twenty-one thousand (21,000) Class A common shares of this company be and they are hereby allotted as fully paid up and non-assessable to the executors of the late Dame Sarah Roberts and/or their nominees, and that twenty thousand dollars (\$20,000) in cash be paid to them and/or their nominees, such shares to be issued and such moneys paid upon the transfer by the Beauharnois Power Syndicate to this company of its assets and undertaking as provided for in the said agreement between the said

The Beauharnois Power Syndicate and this company and Marquette Investment Corporation, and that the president, or a director, and the secretary or an assistant secretary, or the treasurer or an assistant treasurer, be and they are hereby authorized to execute all such documents and do all such things as in their opinion may be necessary or useful for the purpose of carrying into effect the provisions of this resolution.

Then:

Whereas among the amounts payable by the company as consideration for the acquisition by the company of the undertaking and assets of the Beauharnois Power Syndicate and the following, namely:

- (a) the sum of four million, seven hundred and fifty thousand dollars (\$4,750,000) payable to the said the Beauharnois Power Syndicate; and
- (b) the sum of twenty thousand dollars (\$20,000) to be paid to the executors of the late Dame Sarah Roberts; and

Whereas under the terms of the Trust Deed of Hypothec, Mortgage and Pledge bearing formal date as of October 1, 1929, to be executed between this company and the Royal Trust Company as trustee, securing collateral trust bonds to be issued by this company, the company will be entitled to have the trustee pay for such purposes to or to the order of the company the said amounts out of the escrow fund to be provided for in the said trust deed:

That payment of the said amounts out of the said escrow fund be and they are hereby authorized for the said purposes, and that application be made to the said trustee for the payment of the said amounts out of the said escrow fund for the said purposes, and that the application of such amounts for such purposes be and it is hereby approved.

On motion duly seconded it was unanimously resolved as follows:

Whereas under the terms of the Trust Deed of Hypothec, Mortgage and Pledge bearing formal date as of the 1st day of October, 1929, to be executed between this company and The Royal Trust Company as trustee to secure the collateral trust bonds of this company, the company will be entitled to obtain the payment by the trustee to or to the order of the company of moneys of the escrow fund to be provided for in the said trust deed for the payment of expenditures from time to time for among other purposes the purposes set out in sub-paragraph C of section 2 of Article 9 of the said trust deed and;

Whereas the company and its subsidiary companies (as defined in the said trust deed had made expenditures and incurred liabilities amounting in the aggregate to four million seven hundred and thirty-five thousand, seven hundred and thirty-seven dollars and forty-seven cents (\$4,735,737.47) for and in connection with the development or marketing of hydro-electric power resulting from the difference in level between Lake St. Francis and Lake St. Louis in the province of Quebec, Canada.

That the said sum of four million seven hundred and thirty-five thousand seven hundred and thirty-seven dollars and forty-seven cents (\$4,735,737.47) be and it is hereby authorized to be paid out of the said escrow fund for the purposes of defraying the said expenditures and liabilities and that the application of such amounts for such purposes is hereby approved and that application be made to the said trustee for the payment to or to the order of the company of the said amount of four million seven hundred and thirty-five thousand seven hundred and thirty-seven dollars and forty-seven cents (\$4,735,737.47).

I will have to think about that, Mr. Chairman, and perhaps return to it at another time.

The WITNESS: I might just explain in a word. Those were the bank loans which appeared on the balance sheet December 17.

By Mr. White:

Q. In other words, the balance sheet of the Syndicate.—A. Yes.

Q. And from what funds were they paid?—A. From the proceeds of the bonds.

Q. From the proceeds of the bonds?—A. Correct.

Q. Well, I do not quite understand it yet. There were \$4,750,000 paid out of the proceeds of the bond.—A. To the Syndicate for its assets.

Q. And then a further sum of \$4,735,737.47.—A. \$4,735,737.47 which was paid to the various chartered banks of Canada to repay advances that they had made to the Syndicate.

Q. Where did they get it.

The CHAIRMAN: They had borrowed it from the banks apparently.

By Mr. White:

Q. But you did not have that amount of money.—A. We had \$27,000,000.

Q. \$4,750,000 of which went to the Syndicate.—A. Yes, sir.

Q. And \$22,500,000 to the Light Heat & Power Company which took the whole of it.—A. Ah! yes, but this resolution which we have read is a resolution of trust to the Royal Trust Company who were the custodians of the \$22,250,000.

Q. Oh, it really came out of the \$22,500,000.—A. It came out of that and this is an authority to them to pay that out.

Mr. WHITE: Then:

On motion duly seconded it was unanimously resolved as follows:

Whereas under the provisions of the Trust Deed of Hypothec, Mortgage and Pledge to be executed by the Company for securing its Thirty-Year 6 per cent Collateral Trust Sinking Fund Bonds, the Company will be entitled to obtain payment from the escrow fund to be provided for in the said Trust Deed of moneys for the purposes set out in subparagraph (c) of Section 2 of Article IX of the said Trust Deed;

That the sum of one million nine hundred and seventy-five thousand dollars (\$1,975,000) be and it is hereby authorized to be paid out of the said escrow fund for the purpose of satisfying the obligation of Beauharnois Light, Heat and Power Company, one of the subsidiary companies of this Company (as defined in the said Trust Deed) which amount is payable by the said Beauharnois Light, Heat and Power Company to Montreal Cotton Company as part of the consideration for certain water rights acquired by the said Beauharnois Light, Heat and Power Company for and in connection with the development and marketing of hydro-electric power resulting from the difference in level between Lake St. Francis and Lake St. Louis in the province of Quebec, Canada, and that the application of such amount for such purpose be and it is hereby approved and that application be made to The Royal Trust Company as Trustee for the payment of the said amount for such purpose.

By Mr. White:

Q. And that again came out of the \$22,500,000.—A. Yes.

Mr. STEWART: How much was that amount.

Mr. WHITE: \$1,975,000.

Then at a meeting of the Board of Directors, December 20th, 1929, at which there were present:

Messrs. R. O. Sweezey, W. L. McDougald, M. W. Wilson, Aime Geoffrion, J. P. Ebbs, S. Godin, Jr., A. F. White, H. B. Griffith (Secretary).

The Secretary reported that all of the issued shares of capital stock of Beauharnois Light, Heat & Power Company, Beauharnois Construction Company, Beauharnois Land Company and Beauharnois Transmission Company had been deposited with The Royal Trust Company, as security for the Company's issue of Collateral Trust Bonds, including the eleven shares of each company held by its Directors, which had also been assigned by the Directors of these Companies to The Royal Trust Company, and had been made subject to the lien of the Trust Deed securing the bonds.

Then proceeding is taken for increasing the directorate of the Beauharnois Light, Heat & Power Company and the Beauharnois Power Company respectively:

The President then submitted a report on the construction work which had been carried on by Beauharnois Construction Company up to December 15th, 1929, involving an expenditure of \$519,000 which work included excavation amounting to over 500,000 yards, construction of 1½ miles of railway, camp, water-supply, transmission lines for construction power and crusher plant. Work contemplated for 1930 involved approximately 7,000,000 cubic yards of excavation and all of the heavy equipment for this excavation has been ordered and will be assembled during the winter months. Power for construction purposes has been contracted for with Montreal Light, Heat & Power Consolidated and will be available when required.

The Secretary submitted a statement showing amount of expenditures until the end of January, amounting to \$1,750,000.

Then:

Mr. R. O. Sweezey reported that the proposed Contract of Engagement between this Corporation and Mr. R. A. C. Henry which had been submitted to the Meeting of Directors of the Company held on the 3rd December, 1929, was acceptable to Mr. Henry, except that Mr. Henry stipulated that the Contract contain an undertaking by this Company to allot and issue to him and/or his nominees eight thousand nine hundred and ninety-five (8,995) Class "A" Common Shares of this Company at the price of One dollar (\$1) per share.

By Mr. White:

Q. Were there any treasury stock available at that time?—A. That was the amount of treasury stock that was available of Class "A" shares.

Q. There were that many left?—A. There were one million issued to the Syndicate, 770,000 to the company, 21,000 to the Roberts and 8,995 to Mr. Henry, which totalled 1,799,995.

By the Chairman:

Q. That takes up all the stock, does it?—A. All the Class A stock. There has been no Class B stock issued.

Mr. White (Continues reading):

After discussion it was moved by Mr. Aime Geoffrion, seconded by Mr. R. O. Sweezey, and unanimously resolved, that the proposed Contract of Engagement between the Corporation and Mr. R. A. C. Henry, a draft of which was approved at a meeting of the Board of Directors on the 3rd December, 1929, be modified by the insertion therein of a pro-

vision for the allotment and issue to Mr. R. A. C. Henry and/or his nominees of eight thousand nine hundred and ninety-five (8,995) Class A Common Shares at the price of one dollar (\$1) per share, and that the President or a Vice President or a Director, together with the Secretary or Assistant Secretary of this company be and they are hereby authorized to execute a Contract of Engagement with Mr. R. A. C. Henry modified in accordance with this resolution, and that eight thousand, nine hundred and ninety-five (8,995) Class A Common Shares of this Company's Capital Stock be and they are hereby allotted to Mr. R. A. C. Henry and/or his nominees for issue to him upon execution of the said Contract by him and payment to this company of one dollar (\$1) per share.

The CHAIRMAN: Was that the first time that this matter had come up?

Mr. WHITE: No. During the time of the regime of the provisional directors the original agreement was considered and approved, and this is additional.

The CHAIRMAN: That is what I say, the contract with Mr. Henry had been dealt with before.

Mr. WHITE: Yes.

The CHAIRMAN: But this is the first time that this situation on Mr. Henry's part arose.

The WITNESS: That is right, sir.

The CHAIRMAN: And is there anything significant in the exact number of shares. For instance, if there had been 20,000 left in the treasury would they have been given to Mr. Henry?

The WITNESS: I do not think so, Mr. Chairman. I cannot go that far.

By Mr. White:

Q. He took all that was left anyway?—A. That is right, Mr. White.

By the Chairman:

Q. You see, it is strange to me. I do not want to appear to be unsophisticated in these things, but just at the heel of the hunt Mr. Henry makes a stipulation that he take everything that is left and gets it. Now, was there any reason for it?—A. No, none that I can give, Mr. Chairman. It is the result of a conference between Mr. Sweezey and Mr. Henry. Mr. Sweezey was anxious to secure Mr. Henry's services and doubtless that was the stipulation that Mr. Henry made that he be granted the privilege of buying those shares.

By Mr. White:

Q. At that price?—A. At that price.

Q. They were then selling on the market at about \$15 a share.—A. Between \$10 and \$15. We could ascertain the price. I am not familiar with it. There were very few sales at \$15, and as soon as people paid that price the stock got down to a reasonable level.

The CHAIRMAN: Well, I will have to leave it at that, Mr. Griffith, but I must confess there is a doubt in my mind.

The WITNESS: Possibly some other witness can give you some better evidence on that point than I can.

Mr. WHITE: Then:

It was moved by Mr. Sweezey, seconded by Mr. Ebbs, and unanimously resolved that directors' fees be at the rate of one thousand dollars (\$1,000) per annum and twenty dollars (\$20) for each meeting attended.

Mr. STEWART: What was the date of that last meeting?

Mr. WHITE: 20th December, 1929.

Then meeting of the 5th of February, 1930, and there is a discussion and provision made for investing the escrow fund pending its requirement.

The CHAIRMAN: That is the balance of the \$22,500,000.

Mr. WHITE: Yes. On the 19th of February, 1930:

The secretary presented financial statement including the balance sheet of the corporation, as at January 31, 1930, and the statement showing the position of the Escrow Fund to February 18, 1930.

By Mr. White:

Q. I suppose you can furnish us with this without any difficulty, Mr. Griffith.—A. I can obtain it from Montreal. I have not got all the detail here.

Q. Will you do that, please?—A. Yes, I will.

Q. Are you making a note of these things?—A. I have some, and notes are being made for me.

Mr. WHITE: On the 19th of March, 1930, Mr. Henry appears to have been appointed vice-president of the company. Provision is made for payment of expenses.

And then on page 21 of this book:

The president reported that in connection with the negotiations with the city of Valleyfield, it had been found advisable to commence at once to co-operate with prospective new industries and to assist these industries to locate in or near the city of Valleyfield. In this connection, it was reported to the board that Mr. E. W. Brupbacher of Toronto was willing to establish a silk mill in or near the city of Valleyfield, and outlined to the board an arrangement which had been tentatively concluded with Mr. Brupbacher.

On motion duly seconded, it was unanimously resolved:

That whereas it is expedient for the company to invest an amount not exceeding two hundred and fifty thousand dollars (\$250,000) in the preferred shares of a company to be known as Brupbacher Silk Mills Limited or some such similar name as part of an issue of five hundred thousand dollars (\$500,000) of preferred shares.

That the President or a Vice President and the Secretary or Assistant Secretary be authorized to subscribe for preferred shares of the said proposed new Company at par to an amount not exceeding two hundred and fifty thousand dollars (\$250,000) conditional,

1st—Upon a subscription for two hundred and fifty thousand dollars (\$250,000) of preferred shares being made by E. W. Brupbacher and his associates;

2nd—On this Corporation receiving a bonus of one share of common stock for each share of preferred stock subscribed for;

3rd—On the proposed Company agreeing to construct within a period of twelve (12) months its plant in or near the city of Valleyfield; and

4th—On the proposed new Company agreeing to purchase its power from the Beauharnois Light Heat & Power Company.

The CHAIRMAN: What is the purpose of this, Mr. White, to show what?

Mr. JACOBS: Mr. Gordon, I suppose, suggests that before July 28th, there were people who were putting up works of that kind in Canada.

Mr. WHITE: I did not catch the significance of the date.

Hon. Mr. MACKENZIE: We did.

Mr. WHITE: I must confess innocence. If I had known it I would probably have accentuated it a little more than I did.

Then on the 16th of April, 1930 a resolution is passed in reference to listing of Class "A" common stock with the Montreal Stock Exchange and the Toronto Stock Exchange, and that applications are authorized for that purpose.

Then:

The Secretary presented financial statements, including balance sheet of the Corporation as at March 31st 1930, and the position of the Escrow Fund as at April 15th, 1930.

I would like to have those, if I may, Mr. Griffith.

Then notices in connection with the annual meeting.

And a meeting of directors on the 18th of June: The Secretary presented financial statements, including balance sheet of the Corporation as at 31st May, 1930, and the position of the Escrow Fund as at 17th June, 1930.

Then meeting on the 16th of July, 1930:

The Secretary presented financial statements, including balance sheet of the Corporation as at 30th June, 1930, and the position of the Escrow Fund as at 16th July, 1930.

And then there is this resolution:

Whereas the Company and its subsidiary companies as defined in the said Trust Deed, have made expenditures and propose to make expenditures amounting in the aggregate to Five hundred thousand dollars (\$500,000) for or in connection with the development or marketing of hydro-electric power resulting from the difference in level between Lake St. Francis and Lake St. Louis in the Province of Quebec, Canada:

By Mr. White:

Q. I suppose that is the \$500,000 that went to the capital stock of one of the companies?—A. No, sir. That is similar in form to a resolution which was passed at nearly every meeting, simply authorizing the Royal Trust Company as custodian of the Escrow Fund to pay to the order of the company, or to the order of the proper officers of the company the sum of \$500,000.

By the Chairman:

Q. For whatever purpose the company may require?—A. Well, the purpose for which the money may be required is laid down in the Trust Deed. It must be applied to expenditures which have been made or which it proposes to make for us in connection with the developing or marketing of hydro-electric power etc., etc. In other words, money from the Escrow Fund was not available to us to invest in the stock of the Brupbacher Company. Money from the Escrow Fund had to go, and the officers of the company had to show certificates, had to go into hydro-electric development of the company or of its subsidiary company, the Beauharnois Light, Heat & Power Company.

Mr. WHITE: Then there is a resolution fixing the salary of the Secretary Treasurer, and providing that the President be authorized to grant to any officer whose duties may require disbursements for entertainment, travelling or other expenditures, useful to the company, an expense allowance at a rate not exceeding \$300 per month.

The CHAIRMAN: That is modest.

THE WITNESS: I am the only officer who receives it.

MR. WHITE: On the 17th of September, 1930, the usual monthly financial statement was presented, and \$900,000 was authorized to be withdrawn out of the Escrow Fund for the purpose of development of marketing of hydro-electric power resulting in the difference in level between Lake St. Francis and Lake St. Louis.

Then the meeting of the 15th day of October, 1930, the usual monthly financial statement, and a resolution:

"That this Board appoint from its members a Committee to be known as the Advisory Committee, which Committee shall act in an advisory capacity to the various officers of the Corporation in connection with the performance of their respective duties and that this Committee shall consist of the Chairman of the Board, the President of the Corporation, the General Manager of the Corporation and Mr. S. Godin, Jr., and that the members of the Committee who are not otherwise in receipt of remuneration from the Corporation, shall be entitled to an annual payment of five thousand dollars (\$5,000) in lieu of the annual directors' fee of one thousand dollars (\$1,000)."

And on the 19th November the usual monthly statement and:

"Mr. R. A. C. Henry, the General Manager, submitted an estimate of cost of completion of the company's project to 500,000 horse-power, which estimate constituted a revision of the estimate previously prepared by the company's engineers and which was based on the experience gained during the present year."

By Mr. White:

Q. I would like to have that if it is convenient, Mr. Griffith.—A. That will be here. I will have to send away for it.

MR. WHITE: I appreciate that.

On the 17th December, 1930, the usual monthly statement with withdrawal of \$250,000 from the Escrow Fund, and this resolution:

"It was moved by Mr. S. Godin, Jr., seconded by Mr. J. H. Gundy, and unanimously resolved: That the disbursement of sums for traveling and sundry expenses to the extent of nineteen thousand five hundred dollars (\$19,500) be approved, and that this be sufficient authority for the officers of the company to have made such disbursements."

I understand, Mr. Symmes, that there are vouchers for that amount.

MR. SYMMES: Yes.

MR. WHITE: Then that completes the minutes of the Beauharnois Power Corporation. There may be some further minutes in the book.

THE WITNESS: There are minutes for 1931. I thought you had them all.

MR. SYMMES: No, we have not been supplied with them.

THE WITNESS: I will get those for you.

MR. WHITE: Meeting on the 15th January, 1931, there is nothing in there.

Then on the 18th of February, 1931, the usual monthly financial statement and the annual meeting called for Wednesday the 11th of March.

Meeting of directors, 6th March, 1931, the annual report to the shareholders drafted and submitted to the meeting and approved.

By Mr. White:

Q. I suppose we can have that annual report, Mr. Griffith.—A. I think it is spread out there, is it not.

Mr. WHITE: May be. Then there is a minute:

"That the action of the officers of Beauharnois Power Corporation Limited in making an advance of two hundred thousand dollars (\$200,000) to Marquette Investment Corporation on June 2nd, 1930, and recording the advance in the books of Beauharnois Power Corporation Limited as advance to Marquette Investment Corporation be and it is hereby approved."

By Mr. White:

Q. That is the \$200,000 concerning which we spoke before, is it?—A. I do not think it is. I will have to get the detail of it and I will let you have that.

Mr. WHITE: Meeting of shareholders on the 11th of March, 1931, and the report is here. I suppose that could be supplied in printed form, could it not?

The WITNESS: We did not have it printed. We had copies of that multi-graphed.

Mr. WHITE: It refers first to the balance sheet and it says:

Expenditures for construction and the cost of properties, rights, etc., total \$28,768,815.53.

I propose, of course, to ask at the appropriate time for the details of those expenditures. That is in the details in one sense, but you have them segregated into classes:

Orders for equipment placed but not yet delivered amount to \$4,117,034.85.

CONSTRUCTION

Construction work on the power house and canal began in August 1929, but large scale operations did not commence until the spring of 1930. By the end of 1930 over 11,100,000 cubic yards of material were excavated. For the initial 200,000 horse-power installation it will be necessary to move, approximately, 32,000,000 cubic yards. About one-third of the construction work required for our initial installation has thus been completed.

Power which will be required for the enlargement of the initial plant to 500,000 horse-power will be supplied from the 200,000 horse-power installation. As power is an important factor in modern, large scale, construction operations, substantial savings will thus be effected.

They speak of purchases of equipment, material and supplies.

The magnitude of your company's operations is indicated by the fact that in addition to the purchase of equipment having a value of over \$10,000,000 real estate consisting of approximately 28,000 acres including valuable riparian rights on the St. Lawrence River, has been acquired at a cost in excess of \$5,000,000 and the payroll disbursements for the year 1930 involved approximately \$2,500,000. There has also been deposited with the government of the province of Quebec and with the Ontario Hydro Electric Commission securities with a value in excess of \$1,000,000 to guarantee the carrying out of the Company's obligations.

SUBSIDIARY CONSTRUCTION

The development of your project involves important subsidiary undertakings, including highway and railway diversions and the erection of four bridges across the canal and tailrace. Two combined highway and railway bridges and one railway bridge across the canal; a single highway bridge crosses the tailrace. The estimated cost of these structures and necessary diversions is \$5,206,238.

As the canal is over half a mile in width, the bridges are important components of the construction work. They will be built before water is admitted to the canal, thus materially reducing their cost.

The design and construction work of the canal are such that, with further dredging, it could divert any additional water, up to the full flow of the St. Lawrence.

We always get back to that:

The bridges, canal banks and the land required are all included in the cost of the first 500,000 horse-power installation. Further generating units could thus be added to the plan on a very low cost per horse power basis.

I propose to ask Mr. Henry about that at the appropriate time:

Construction work is proceeding ahead of schedule. Your directors are confident that the first installation of 200,000 horse-power will be completed well in advance of October 1, 1932.... They report that the work will be completed at a cost well within the original estimates.

Then it talks of power contracts:

Under contracts signed to date the Company can be called to deliver 462,000 horse-power of the 500,000 horse-power which will be available from the development now under way. Delivery of the first blocks of power under these contracts will commence on October 1, 1932.

The utilization of Beauharnois power in large metallurgical and chemical developments has engaged our attention. Negotiations leading to the establishment of an industry of this kind in the Beauharnois area have been carried on for some time.

If these negotiations are successful, the surplus power available from the 500,000 horse-power development will be insufficient to provide for the needs of this new industry. As the establishment of the industry is dependent on the immediate provision of an adequate supply of power, it has been deemed advisable to apply to the Province of Quebec for the right to divert more water through the canal.

The sales of power to date, the negotiations under way leading to the establishment of industry, and a survey of the power markets available to Beauharnois, lead inevitably to the belief that the full amount of power available at our site will be required much more rapidly than was at first anticipated.

With an undertaking of the magnitude of Beauharnois, it is gratifying to find that 18 months of operations are proving estimated costs to have been more than adequate. I am not unmindful that this is largely due to the efficiency of our officials and their staffs; to them I take this opportunity of expressing the sincere appreciation of the officers and directors of your company.

The secretary read to the meeting the consolidated balance sheet of the corporation and subsidiary companies as at December 31, 1930, together with the report of the auditors.

These were approved, and the Acts of the directors were ratified. Everybody is happy and a vote of thanks is moved to the officers. Then there is a directors' meeting of the 11th March, 1931. There is nothing of note there. A meeting on the 22nd April, 1931. It speaks of modifying certain agreements. That is an agreement for the machinery and so on. Then authority is taken by resolution for the officers to invest further sums in the Brupbacher Silk Mills. Then comes this resolution: "The president reported that Mr. R. A. C. Henry, the vice-president and general manager of the company, had recently in connection with the com-

pany's business incurred expenditures totalling \$9,000"; and it was unanimously resolved: "that the sum of \$9,000 be paid to Mr. R. A. C. Henry, vice-president and general manager of the company, to reimburse him for expenditures incurred by him on behalf of the company."

WITNESS: There is one more book of the power corporation containing three small meetings. That is the management of the preferred shareholders.

Mr. SYMMES: I have examined it, and there is nothing in it of importance.

By Mr. White:

Q. Is there anything in it that you think I should read, Mr. Griffiths?—A. No, sir; just three small meetings.

Mr. WHITE: We next come to exhibit 66.

Mr. SYMMES: That is a Delaware incorporation with a capitalization of 10,000 shares and no par value, issuable at such price as the board of directors may fix from time to time. The company was authorized to commence business with a capitalization of one thousand. The first meeting of the board of directors was on the 5th of October, 1929. The first real business occurred on page 57 of the minute book. At page 57 there appears the minute of a meeting of the 4th November, 1929, which appears to be the first meeting of the directors after the preliminary meeting incorporating the company. The board of directors then consisted of R. O. Swezey, K. M. Perry, E. S. Coleman, H. B. Griffith and J. W. McCammon. Is Mr. McCammon one of the Beauharnois executive, Mr. Griffith?

WITNESS: Yes, he is.

Mr. SYMMES: Mr. Swezey was president, Mr. Perry was vice-president, Mr. Griffith was secretary, Mr. Coleman was treasurer, and Mr. McCammon acted as assistant secretary and assistant treasurer. On page 59 of the minutes there is the following resolution:—

That subscriptions for not exceeding 2,000 shares of the capital stock of this corporation be opened at the office of the corporation after giving such notices as may be deemed expedient . . .

Mr. WHITE: Where is the head office?

Mr. SYMMES: In Delaware at that time. It was changed on or shortly afterwards to the Drummond Building, Montreal.

. . . and that at the time of subscribing every subscriber shall be required to pay the treasurer five dollars per share for each share of the capital stock of this corporation without nominal or par value so subscribed by him.

Then follows the minutes of the directors meeting held at the Drummond Building, Montreal, on January 3rd, 1930, at which Messrs. Perry, Coleman, McCammon and Griffith were present. There was submitted to the meeting a draft agreement between the company and the Beauharnois Construction Company providing for the rental of certain pieces of equipment the property of the Marquette Construction Company at an annual rental equal to 22 per cent of the cost of such equipment delivered at Beauharnois, Quebec. Let me say off-hand Mr. Griffith, that the equipment that was rented consisted of the five towers?

WITNESS: Yes. I think I should explain the purpose of having an American corporation in our corporate group. Some of the equipment which is being used at Beauharnois is not available—

By Mr. Symmes:

Q. It was for the purpose of seeing that you did not have to pay duty on the machinery, was it not?—A. Not for the purpose of avoiding the payment

of duty coming into Canada, but for the purpose of return of the duty on such of this equipment as we might sell if it was resold in the United States, and for that purpose it was preferable that the title should be vested in an American corporation.

Q. Or was it that you intended that the resale of the equipment was more readily available at better prices to the company in the United States than in Canada?—A. Quite.

By Mr. White:

Q. Was that the sole purpose of the company?—A. Yes.

Q. The whole function?—A. The whole function.

Q. And all that is done?—A. It is all done.

Q. The money being supplied by the power corporation?—A. Yes.

Q. Or the Light, Heat and Power Corporation?—A. By the Beauharnois Construction Company. I would have prepared myself—

Q. And the machinery was purchased by this company in the United States and rented to the construction company?—A. Yes.

Q. And to be returned to the United States after the completion of the job?—A. Yes. Not necessarily so; but it broadens our market for resale purposes.

Q. Exactly. And no other shareholders except—it is 100 per cent owned by the holding company?—A. By the Beauharnois Construction Company.

Mr. MONTGOMERY: I have been looking at this Trust Deed securing the bonds, during the recess, and I find that it satisfactorily clears up the discussion which we had at lunch time in reference to the evidence of indebtedness of \$7,500,000. On pages 14 and 15 of the Trust Deed will be found a description of the proposed mortgage. Section (a) being the shares of the different subsidiary companies set out in the second schedule; section (b) being all such shares of any other company as may be acquired by the company, or any of the proceeds of the bonds or monies received from the escrow fund. Section (c):—

all indebtedness at any time existing in favour of the company by reason of the application by the company of any of the proceeds of the bonds, or of any monies received by it from the said escrow fund, or by reason of the application by the company of the assets acquired with any of the proceeds of the bonds, or of any monies received by it from the said escrow fund, except such monies as may be payable to the company as interest or in lieu of interest upon such indebtedness; and doth hereby covenant that the shares held by the directors of the said companies enumerated in the second schedule hereof will forthwith be made subject to lien thereof as part of the specifically mortgaged premises.

Then on page 18 it is provided that all such evidence of indebtedness shall be made over to the trustees, the paragraph reading as follows:—

5. The company will deliver or make over to the trustee in such form that the same may be enforced by the trustee, any and all promissory notes or other evidences of indebtedness obtained by it in respect of any of the indebtedness referred to in subparagraph (c) of subclause (a) of Section 1 of this article III (except such monies as may be payable to the company as interest or in lieu of interest upon such indebtedness) and will at the request of the trustee, from time to time obtain promissory notes or other evidences of indebtedness in respect of any of such indebtedness, provided, however, that until the security hereby created shall have become enforceable and the trustee shall have determined or become bound to enforce the same, the trustee shall not, except at the

request of the company, enforce the indebtedness represented by such promissory notes or other evidences of indebtedness, or any of them, and shall from time to time at the request of the company permit the renewal, replacement or substitution of any of such promissory notes or other evidences of indebtedness by other promissory notes or other evidences of indebtedness.

6. Until payment in full of the indebtedness mentioned in subparagraph (c) of subclause (a) of Section 1 of this article III, all payments (other than dividends) made to the company by the debtors of such indebtedness shall be deemed to be made in respect of such indebtedness.

Consequently the payments in respect of this seventy-five and twenty-five and five had to be made to the trustee, and any payment made by the Beauharnois Corporation and Beauharnois Company will be deemed to be made on account of this indebtedness. Then there is a proviso that these bonds can be sold, the proceeds to be deposited with the trustee, and there is an article dealing with the escrow fund. On page 38 will be found the paragraph with reference to the escrow fund, and the procedure of drawing monies down from the trustee. The purposes of the escrow fund are set out, first, interest; second for the payment of all amounts payable by the company as consideration for the acquisition by the company of the undertaking and assets of the Beauharnois Power Syndicate;

(c) for the payment of expenditures from time to time made or proposed to be made, either by the company or by one or more subsidiary companies or stock pledged companies, for or in connection with the development or marketing of hydro-electric power resulting from the difference in level between Lake St. Francis and Lake St. Louis in the province of Quebec, Canada, including therein, but without limiting the generality of the foregoing taxes, rates and assessments, governmental fees and duties and overhead and other expenses of the company and of the subsidiary companies and of the stock pledged companies, and expenditures for the acquisition of rights and other property of any and all kinds in connection therewith.

The CHAIRMAN: I presume it provides for a method of withdrawals?

Mr. MONTGOMERY: Yes, it goes on to provide for the different certificates to be given in order that the twenty-seven can be drawn down from the trustees.

The CHAIRMAN: Is there a copy of that in the record as an exhibit?

Mr. MONTGOMERY: No.

The CHAIRMAN: Is there any objection from the standpoint of the company's domestic economy?

Mr. MONTGOMERY: None at all.

The CHAIRMAN: I think it is desirable to have it put in as an exhibit.

Mr. MONTGOMERY: I will direct attention to pages 14 and 15, page 18 and page 38 which deals with the escrow fund, and the twenty-seven can be drawn down from the trustee.

Mr. WHITE: What page of the deed?

Mr. MONTGOMERY: Page 38 is the last page I gave you.

The CHAIRMAN: Shortly, the funds, I presume, can be realized from escrow on the certification of some officer?

Mr. MONTGOMERY: The escrow fund shall be paid out by the trustee from time to time to or to the order of the company:—

(a) Pursuant to a resolution of the Board of Directors of the company authorizing the payment out of the amount or amounts therein

stated and stating in general terms the purpose or purposes for which such amounts are required and approving the application of such amounts for such purpose or purposes; and

(b) Upon a written request and certificate in respect of each withdrawal, stating the amount or amounts required and certifying that the same are required for one or more of the purposes set out in such resolution and describing generally such purpose or purposes. Such requests and certificates shall be signed for or on behalf of the company by its president or a vice-president or managing director or general manager or two directors, and by the secretary or treasurer or an assistant secretary, or an assistant treasurer, or shall be signed by such other persons as may from time to time be authorized by resolution of the board of directors.

PROVIDED, however, that sufficient amounts to pay all unpaid interest....

and so on. In the meantime the monies are to be invested by the trustee.

The CHAIRMAN: I suppose there is a general clause relieving the trustee?

Mr. MONTGOMERY: Yes. "Until paid out by the trustee in accordance with the provisions of this Article IX, the escrow fund, or so much thereof as shall from time to time remain in the hands of the trustee, shall be held by the trustee in trust as security for the bonds outstanding hereunder and shall be subject to the lien hereof as part of the specifically mortgaged premises."

Mr. WHITE: That is all very clear except one thing. I do not quite understand why he says that the monies returned to the company of the seven and a half millions as to which there is evidence of indebtedness would be paid to the bond holders.

Mr. MONTGOMERY: That is provided. The evidence of indebtedness is pledged to the trustee, and the company undertakes—

Mr. WHITE: Does my learned friend say it goes into a sinking fund? How is it paid over? Does it then become part of the escrow fund?

Mr. MONTGOMERY: Yes; and all monies except dividends. For instance, Beauharnois Light, Heat and Power Company will be deemed under Article VI to be paid on account of this evidence of indebtedness.

Mr. WHITE: And would form part of the escrow fund?

Mr. MONTGOMERY: Yes.

(Trust Deed filed, marked exhibit 73).

Mr. SYMMES: To return to exhibit 66, Mr. Chairman, I thought you would be interested in seeing how the stock of that company was taken out. At page 64 of the minutes it appears that the Beauharnois Construction Company subscribed for 1,990 shares of the 10,000 total capitalization at \$5.00 per share, the subscription being accompanied by a cheque for \$9,950, in payment of the subscription price; and Mr. Hugh B. Griffith subscribed for 8,000 shares of the capital stock of this corporation in consideration whereof the sum of \$40,000 shall be payable in cash, and \$120,000 shall represent the value of the agreement with the Beauharnois Construction Company as set forth above. Has that reference to the agreement in respect of rentals?

The WITNESS: That is right, Mr. Symmes.

Mr. SYMMES: Have you any other explanation to make as to that, Mr. Griffith?

WITNESS: I do not think so. I think I should add that the stock is vested in the Beauharnois Construction Company, stock for which I subscribed. That is to clarify the statement I made previously.

Mr. SYMMES: Yes, I was coming to that. Was that \$40,000 paid, or was it merely—

WITNESS: No, it was paid.

Mr. WHITE: And not paid back.

WITNESS: It was recovered.

Mr. SYMMES: The next item is on page 69 of the minutes, the meeting of the 3rd November, 1930, where there is a report of the operation of the company up to September 30, 1930, and a financial statement of that date was submitted.

WITNESS: It all appears in the consolidated picture.

Mr. SYMMES: Then, as to the next company, there is exhibit 67—the Beauharnois Construction Company. That, Mr. Chairman, is a company incorporated under the laws of the Province of Quebec—the Beauharnois Construction Company as distinguished from the Marquette Construction Company. This incorporation was under the laws of the Province of Quebec, the first provisional directors meeting being July, 1929. The capitalization was 100,000 shares without nominal par value. The capital of the company was not to be less than \$500,000. The first directors were Messrs. Swezey, McCammon, Griffith, Christie and H. Newman. At page 22 of the minute book, the chairman of the meeting reported that the Beauharnois Power Syndicate—that is the second syndicate—had subscribed for 45,995 shares of the capital stock of the company at \$10.00 per share upon allotment, such subscription being accompanied by cheque for \$499,950.

By Mr. Symmes:

Q. Was that amount, plus the five incorporated shares, the total amount of capital stock that has been issued and still remains?—A. Yes, Mr. Symmes.

Mr. SYMMES: Page 23 of the minute book. It is seen, Mr. Chairman, that the syndicate sells with regard to its preliminary work a certain equipment to the company for \$500,000. At page 31 of the minutes we come to a meeting of the board of directors of the 6th November, 1929, where a proposed agreement with the Beauharnois Light, Heat and Power Company is referred to, constituting a contract for the construction of a power canal and hydro electric development of 200,000 h.p.

The CHAIRMAN: What is the purpose of this, Mr. Symmes? What are you now putting in?

Mr. SYMMES: I thought I would give to the committee the high lights of these minutes as they have been put in.

The CHAIRMAN: All right, go on.

Mr. SYMMES: Then there is the minute of the 21st December, 1929, and reference approving of the acquisition of the 1,990 shares, Marquette Construction Corporation, which was dealt with in exhibit 66. At the next minute, the 6th of January, there is a corresponding reference mentioned by Mr. Griffith of the sale of the company of the other 8,000 shares of Marquette Construction Company which Mr. Griffith told you got to the Beauharnois Construction Company.

The CHAIRMAN: Really, I have been looking through these minutes, and I cannot just see where this is going to help us. We want to shorten the evid-

ence as much as possible. We have only a short time in which to conclude the deliberations of this committee. We are just about to adjourn, but I think probably the committee might leave it to me, and if Mr. Symmes can disclose to me where this is going to help us—I think I know the mind of the committee pretty well and what it wants done—and if you can disclose to me this evening just what you have in mind, I can let you know whether this is of importance or not.

Mr. SYMMES: The balance of the book seems to be routine.

The Committee adjourned to meet at 10.30 Friday, July 10th, 1931.

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Canada. Beauharnois Power
Special Committee on (House)

SESSION 1931

HOUSE OF COMMONS

SPECIAL COMMITTEE

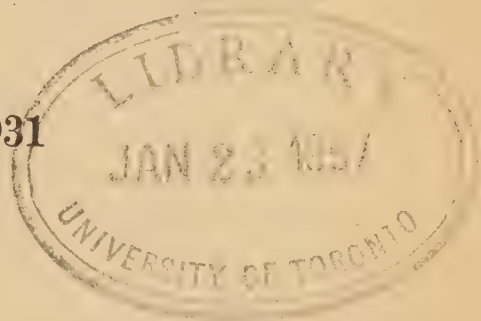
ON

BEAUHARNOIS POWER PROJECT

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 12

FRIDAY, JULY 10, 1931



WITNESSES:

Mr. Hugh Griffith, Secretary Treasurer, Beauharnois Power Corporation, Limited.

Mr. Arthur White, President, Dominion Securities Corporation, and Vice President, Bank of Commerce.

Mr. Robert A. C. Henry, Vice President and General Manager, Beauharnois Power Corporation.

EXHIBITS FILED

No. 74—Beauharnois Power Syndicate. Statement showing distribution of common shares and of cash to holders of part interests.

No. 75—Sterling Industrial Corporation. Memo of agreement, December 18, 1928, between Beauharnois Power Syndicate, John P. Ebbs, and Lyla Brennan.

No. 76—Certified copy of Order in Council (P.C. 192), February 4, 1929, appointing Mr. Robert A. C. Henry as Deputy Minister of Railways and Canals.

No. 77—Booklet. St. Lawrence Waterway Project. Report of National Advisory Committee, 1928.

No. 78—B. L. H. and P. Co. Plans of new headgates and intake for the relocated St. Louis River Feeder (or Canal), October 1, 1930. Document 61.

MINUTES OF PROCEEDINGS

FRIDAY, July 10, 1931.

The Special Committee appointed to investigate the Beauharnois Power Project met at 10.30 a.m. Hon. Mr. Gordon, the Chairman, presided.

Members present: Messrs. Dorion, Fiset (Sir Eugene), Gardiner, Gordon, Jacobs, Jones, Lennox, Mackenzie (*Vancouver Centre*), Stewart (*Lethbridge*).

Mr. Hugh B. Griffith, Secretary Treasurer, Beauharnois Power Corporation, Limited, was recalled and further examined. In the course of the examination, Mr. White, K.C., of counsel for the Committee, filed,—

Exhibit No. 74—Beauharnois Power Syndicate. Statement showing distribution of common shares and of cash to holders of part interests.

Mr. Griffith retired.

Mr. Arthur White, President, Dominion Securities Corporation, and Vice-President, Bank of Commerce, was called, sworn and examined.

Mr. White retired.

Mr. Robert A. C. Henry, Vice-President and General Manager, Beauharnois Power Corporation, Limited, was recalled and examined. During the examination, Mr. White, K.C., filed,—

Exhibit No. 75—Sterling Industrial Corporation. Memo of agreement, December 18, 1928, between Beauharnois Power Syndicate, John P. Ebbs, and Lyla Brennan.

Mr. Henry retired.

At the suggestion of Mr. White, K.C.,—

Ordered,—That the Clerk of the Privy Council, Ottawa, be requested to supply certified copies of the recommendation and the Order in Council respecting the appointment of Mr. Robert A. C. Henry as Deputy Minister of Railways and Canals.

The Committee adjourned at 1 p.m. until 2.30 p.m.

The Committee resumed at 2.30 p.m. Hon. Mr. Gordon, the Chairman, presided.

Members present: Messrs. Dorion, Fiset (Sir Eugene), Gardiner, Gordon, Jacobs, Jones, Lennox, Mackenzie (*Vancouver Centre*), Stewart (*Lethbridge*).

In compliance with an Order of the Committee, issued this day, the Clerk of the Privy Council, Ottawa, supplied a certified copy of Order in Council (P.C. 192), February 4, 1929, appointing Mr. Robert A. C. Henry to the position of Deputy Minister of Railways and Canals. A certified copy of the recommendation made in regard to this appointment was not supplied, for the reason that information respecting recommendations is never divulged.

Mr. Henry was recalled and further examined.

Mr. White, K.C., filed,—

Exhibit No. 76—Certified copy of Order in Council (P.C. 192), February 4, 1929, appointing Mr. Robert A. C. Henry as Deputy Minister of Railways and Canals.

Mr. Morin, K.C., of counsel for the Committee, filed,—

Exhibit No. 77—Booklet. St. Lawrence Waterway Project. Report of National Advisory Committee, 1928.

Mr. Montgomery, K.C., of counsel for the Beauharnois Company, cross-examined Mr. Henry, and filed,—

Exhibit No. 78—B. L. H. and P. Co. Plans of new headgates and intake for the relocated St. Louis River Feeder (or Canal), October 1, 1930. Document 61.

Mr. Henry retired.

The Committee adjourned until Monday, July 13, at 2 p.m.

JOHN T. DUN,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,

FRIDAY, July 10, 1931.

The Select Special Committee appointed to investigate the Beauharnois Power Project met at 11 o'clock, Hon. W. A. Gordon, presiding.

Appearances:

Peter White, K.C., Louis Morin, K.C., B. H. L. Symmes, for the Committee.
I. F. Hellmuth, K.C., G. H. Montgomery, K.C., L. A. Forsythe, K.C., for the Beauharnois Company.

J. R. L. Starr, K.C., for Senator McDougald.

Hon. Lucien Cannon, K.C., for the province of Quebec.

Lucien Moraud, K.C., for the Royal Trust Company.

Mr. WHITE: May I ask Mr. Griffith to step into the box for a moment.

HUGH B. GRIFFITH, recalled.

Q. You produced to me a document called "Beauharnois Power syndicate, distribution of cash, and common shares to holders of part interests," which I understand to be the record of those, who at the time of the dissolution of the syndicate, that is, the second syndicate, were the holders of units?—A. That is right.

Q. And showing what was received by each in respect to part interests held by each, and to whom the money and shares respectively were distributed?—A. That is right.

Q. It starts at the back with an alphabetical index opposite the name of which appear certain numbers, and these numbers refer to numbers in the body of the document, and by reference to a number, you can find out from the alphabetical index who the party is and what the amount of money and shares received by each amounted to?—A. That is right, yes.

Q. This will be exhibit No. 74. The body of the document, the names in the body of the document are not arranged in alphabetical order, but the index is, and by reference to that—

Mr. LENNOX: What is that again; I did not get that.

Mr. WHITE: This document contains the names of those who are holders of part interests in the syndicate at the time of its dissolution, and is a record of their holdings, the amount of cash in respect of those holdings, and the amount of shares in the Beauharnois Power Corporation which were transferred to each holder of part interests on the dissolution.

The CHAIRMAN: Exhibit 74.

Document filed and marked exhibit No. 74.

Mr. WHITE: This is an example, so that it may be understood. Taking one example, looking at the index you will find B. C. Bond Corporation Limited, 206. Turning to 206 on page 14, we find that there are 151 and 127 units.

The WITNESS: Excuse me, Mr. White, these are the numbers of the certificates.

Mr. WHITE: The second column of figures is the number of units, and they had four and six, and these were distributed to Harry E. Boorman, who got \$418.75, and 112 shares, and William S. Campbell, who got \$418.75 and 111 shares.

The CHAIRMAN: It is clear to me.

Mr. WHITE: The numbers 151 and 127 are the numbers of the certificate, and the numbers 6 and 4 are the number of part interests. These 10 part interests were distributed to those particular persons, and the next column is the amount received for the shares. That is all, Mr. Griffith.

Mr. WHITE: Mr. Chairman, Mr. White has intimated that he is very anxious to get away, and I understand has some very important engagement, and if it is convenient for the committee to hear him now, I would suggest that he be heard.

Mr. JACOBS: Who is that?

Mr. WHITE: Arthur White.

ARTHUR WHITE, called and sworn and examined by Mr. White.

Q. I understand you are an officer of the Dominion Securities Corporation?—

A. Yes, sir.

Q. What position?—A. President.

Q. And director of the Bank of Commerce?—A. Vice-president of the Bank of Commerce.

Q. And director of the Bank of Commerce?—A. Yes.

Q. And you have been engaged in Toronto in financial enterprises of various sorts for some years?—A. Thirty years.

Q. And I understand in a fairly large way?—A. I cannot answer as to that.

Q. We will take it as read.

Mr. JACOBS: Not as white.

Mr. WHITE: Mr. White lived on the same street as I did once, but he has moved to the corner of Easy and Broad, and I am still where I was.

Q. Your company became interested, that is, the Dominion Securities Corporation became interested in this Beauharnois project?—A. Yes.

Q. And when first, if you will kindly recall?—A. I should say sir, about 1926?

Q. 1926. And were you the officer of your corporation who actually had the matter in charge?—A. Yes, sir.

Q. And who did you first meet in connection with the project?—A. Mr. Sweezey.

Q. Mr. R. O. Sweezey?—A. Mr. R. O. Sweezey.

Q. And as you were discussing the matter with him, was he representing the Beauharnois company or representing Newman, Sweezey and Company?—A. Newman, Sweezey and Company.

Q. The discussion, I take it, being between you and him from the bankers' standpoint. When I say "bankers" I mean the securities standpoint.—A. Sir, if I may answer it in this way: We are in no sense what you might term a promotion house.

Q. Yes?—A. Ours is a large distributing organization. Messrs. Newman, Sweezey and Company are more in the nature of an originating house. When this was first introduced to our people by Mr. Sweezey, it was very much in the nature of an idea with a large modicum of hope in it; that it was something he hoped to be able to develop, and it was on that basis it was introduced to us.

Q. In other words, may I take it that Mr. Sweezey approached your—
—A. Quite.

Q. —approached you about it, with the idea of enlisting your services in helping to finance the enterprise.—A. It was unusual in this sense, sir, that it was almost purely a gamble at that stage, and the amount suggested to start the thing was small, I think \$25,000. We, I think, were the pioneer house in Canada in the financing of hydro electric enterprises, and most of them have started—they are essentially an idea transaction in the early stage, because it is not a business in a public way, if you follow me—

Q. Yes, owing to the nature of the enterprise.—Quite.

Q. Then, I take it that you mean that there has to be a certain amount of engineering data acquired and the work has to progress to a certain point before public financing would take place. Were you consulted before the forming of the first syndicate?—A. I cannot answer that, sir. It moved along without any particular interest on our part from that time on.

The CHAIRMAN: Perhaps you can give me the date of the first syndicate?

By Mr. White:

Q. Can you give it to me offhand?

Mr. LENNOX: May 12, 1927.

Mr. WHITE: Yes, May 12, 1927.

The WITNESS: Well, we were approached quite some time before that.

By Mr. White:

Q. Some time before that?—A. Yes.

By the Chairman:

Q. Some time in 1926?—A. I would think so.

By Mr. White:

Q. And did you see others than Mr. Sweezey in connection with the matter?—A. Not that I recall.

Q. Then you became interested in the Syndicate, or your company did.—A. The small start that we had participated in took rise in the formation of a somewhat larger Syndicate.

Q. The first Syndicate had 5,000 part-interests?—A. Yes.

Q. And your company subscribed, I understand, for some of those?—A. Quite.

Q. Do you remember how many?—A. Our first subscription was \$25,000. That would be 250 part-interests, and later on, if I remember rightly, we subscribed in addition another \$50,000. I know our interest in all, as I recall it, was 1,000 part-interests, a comparatively small interest in the Syndicate.

Q. That is 1,000 of the 25,000 or $\frac{1}{25}$?—A. Yes, sir.

Q. And you subsequently undertook, as has been shown here—what you actually did, you and Newman, Sweezey & Co., purchasing \$30,000,000 of bonds?—A. In December, 1929.

Q. Yes.

By the Chairman:

Q. Just before we go further. Do I understand you correctly when you say that you paid \$75,000?—A. That is my recollection, sir, of the amount invested by us.

Q. For the 1,000 part-interests?—A. For the 1,000 part-interests.

By Mr. White:

Q. Then as between yourselves and Newman-Sweezey & Co., was there any arrangement as to how much of the \$30,000,000 should go to you and how much to them?—A. No, sir. The rough arrangement was this: Sweezey under-

took to look after the project from its conception because it was not our business and we were not qualified to do that sort of thing. We, on the other hand, from the first undertook to take care of the financing as and when it developed, and the general understanding between the two firms was that when the financing stage arrived it would be on joint account.

Q. But was there any actual division between you and Newman-Sweezey & Co., of the amount of \$30,000,000 of bonds?—A. I do not quite follow your question, sir.

Q. Did you buy 15 and they buy 15, or did you buy a certain proportion, or was there any proportion, or was it wholly a joint enterprise?—A. It was a joint enterprise.

Q. That does not make it quite clear either perhaps.—A. Are you at a consideration of the banking Syndicate's first operations in December, 1929?

Q. I am asking purely about the purchase of the \$30,000,000 of bonds.—A. That was actually purchased, sir, by an account consisting of Newman-Sweezey and ourselves, and I am not quite clear if Wood Gundy were actually a purchaser, that is, as to having signed the original agreement; they did have a one-third interest in the purchase, so that was, what we call in the language of the street, a three-three account.

Q. That is, that the whole matter was handled through one account and a division took place when the bonds were disposed of?—A. Right.

By the Chairman:

Q. The profits would be divided three ways or if there happened to be losses they would be assumed three ways?—A. In general that is correct, sir. The handling of a banking syndicate, if you would like me to discuss that briefly, is a rather involved affair. Your first Syndicate almost immediately sells to a banking Syndicate which brings in a considerably larger number of important distributing organizations. They in turn sell at a step-up to a much larger Syndicate consisting of distributing organizations. In other words, our problem is to begin to step down the liability because you will remember from the outset we were confronted with a commitment of \$27,000,000 and, in turn, to build up to your final distributing centre which, in this case I think consisted of 157 banks and distributing bondhouses and brokers. Now, to answer your question, sir. The three houses would participate equally in the first stage. They would then probably have varying interests in the second and third stages based upon their selling ability and performance.

By Mr. White:

Q. Then in addition to the \$30,000,000 of bonds you, shall I say, in effect received as a bonus 770,000 common shares?—A. You see, sir, as I said before this was essentially a private syndicate operation up until approximately December, 1929, two entirely different sets of capital being interested, the first a smallish group of money privately subscribed, selling to a company which would need to dispose of approximately \$80,000,000 of securities in order to complete the project. Now, the Syndicate—

Q. May I interrupt you there for just a second. When you mention \$80,000,000 that is the figure that it was supposed the project could be completed for.—A. Our estimates at that time, sir, and they may have been refined slightly since downwards, were that the first 500,000 h.p. would be brought in as the result of the sale of \$30,000,000 of debentures and approximately \$50,000,000 of first mortgage bonds.

Q. Well now, if I have not broken the train of your thought, will you please continue.

By Mr. Stewart:

Q. That is, \$80,000,000 for the first 500,000 h.p.?—A. Yes, sir. That is fully set out in the prospectus. Your Syndicate really had nothing to sell until approximately November, 1929, for the simple reason that while in the earlier stages it had its charter, its lease from Quebec, the approval of its plans, a great deal of engineering work done, a great deal of land bought and all that sort of thing, it was only in November or October when they really had sold its power, and until it had sold its power it really had nothing on which to finance.

Q. When you say "sold its power," you mean by that the two power contracts, the one to the Hydro-Electric Power Commission of Ontario and the other with the Montreal Light, Heat and Power Consolidated?—A. None of them—

Q. May we take it, therefore, that so far as the financing is concerned the entering into of those two contracts, or some such similar contracts was the sine qua non, so far as the financing was concerned?—A. Without the power being sold there was no possibility of their having financed.

By Hon. Mr. Mackenzie:

Q. The first real assets they had?—A. Yes.

By the Chairman:

Q. They had the natural resource, but to turn it to account they had to have some place to put it to work?—A. Yes, sir.

Q. And these two contracts enabled those interested to raise sufficient money to carry it to completion?—A. Yes, sir.

By Mr. White:

Q. By reason of the fact that they could be said to guarantee, or be a sufficient guarantee that the interest on the bonds would be paid?—A. Quite. I might say here, sir, that it had reached very sizeable proportions by December because, if I remember rightly, the amount expended was some eight and a half millions of cash. Of that sum two and a half million had been subscribed by the Syndicate. The finding of that money rested on ourselves and we guaranteed that, that is, the Dominion Securities and Newman-Sweezy and Company guaranteed to the banks who had advanced that money, the repayment of the advances.

Q. And took assignment as security?—A. The assignments, sir, were only partial security, because that represented only the uncalled amounts of the subscriptions.

Q. Quite so, 50 per cent of the subscriptions?—A. Yes, sir.

Q. Then, if you will continue, please.—A. The Syndicate then had an undertaking to sell. But it was a construction enterprise, one not easy to finance, and I know of no construction proposition where it is up to the bankers to find all the money, where any other group of bankers would have dealt on the same terms that we did, that is, that they would have demanded a larger share than 40 odd per cent of the equity which we insisted upon as part of our purchase. In other words, we got for \$27,000,000 thirty millions of debentures, that is, at ninety, with 770,000 shares, approximately 40 per cent of the equity.

Q. 40 per cent of the common shares?—A. 40 per cent of the common shares.

Q. That is, the Class "A" common shares?—A. The Class "A" common shares which represented no value. They were the hope chest of this undertaking and could only be made worth whatever good management and some luck might develop in the future.

Mr. WHITE: I suppose the use of the word "hope chest" has nothing to do with the proximity of the cedar.

Sir EUGÈNE Fiset: You are too "rapid" for me, Mr. White.

The WITNESS: Well, I think I have completed that phase of it, sir.

By Mr. White:

Q. Well then, were a certain number of the 770,000 shares disposed of as bonus with the bonds?—A. Yes, sir.

Q. How many of them?—A. 150,000 shares.

Q. 150,000 shares. That would be one common share for every \$200 of bonds purchased?—A. That would be 5 shares per \$1,000 of bonds.

Q. Dividing 10 by 5 gives 2?—A. Yes.

Q. And at what price were the bonds sold to the public?—A. Nominally for the price of par.

Q. I understand that there were some slight variations in the prices, or were there?—A. You always break the back, sir, of an undertaking of this size, or any sizeable issue by the large sales and not the small sales, and the large sales are always made at important concessions.

Q. Well, of course, I appreciate that. In addition to that, what you have told us is that you have made arrangements with distributing agencies and, of course, they must receive commission for their work?—A. Quite so. But in addition to that, sir, if I make myself clear, all the large institutions as a matter of practice buy their securities in sizeable lots that they usually buy at very important concessions from the nominal small lot price.

Q. Then that left 620,000 Class A shares?—A. Yes.

Q. The property of Newman-Sweezy and Company and the Dominion Securities?—A. Yes, sir.

Q. And Wood, Gundy?—A. Wood, Gundy.

Q. A third of those belong to each?—A. Approximately, roughly, sir.

Q. That would be 206,666?—A. I have forgotten the exact amount.

Q. Divided 620,000 by 3 and you get 206,000 roughly?—A. Yes, but are you asking me, sir, exactly how many shares we had?

Q. I undersand you to be speaking approximately?—A. Yes.

Q. And that, therefore, the resultant figure would be approximate also?—A. Yes.

Q. Then the bonds having been sold approximately at par, there would be a spread between the purchase price and the price paid by the public of approximately \$3,000,000?—A. Yes, sir.

Q. Has your company retained or disposed of the Class A shares which you acquired with the bonds?—A. I know of no sales that we had made, sir.

Q. We may take it then that—A. Substantially what we received are with us.

Q. Are still with you?—A. Yes.

By Mr. Lennox:

Q. Are those the shares that are now selling at \$5.50 or \$6?—A. Sir, there has never been a very big marketing in these shares. The great bulk of them were originally placed in strong hands like ours. They have never been placed on the market. There has never been any effort made to create a market, or run a pool or anything of that sort of thing, and there has never been an offering of any of those shares,—purely the activities of the brokearge fraternities in stimulating a little interest in a security, and there have been a few sales from time to time; but it would be quite impossible to liquidate a large block of shares on the present market because, in fact, there is really no marketing in those shares. There has never been an attempt to create a market.

Q. Of course, that is not done. One does not attempt to create a market. There have been, on the other hand, efforts to depress the market a little bit?—A. No, sir.

Q. I thought there had been?—A. I know of no assistance that the security markets of to-day need for depressing values.

By the Chairman:

Q. You think the skids are sufficiently well greased without any assistance?—A. I do, sir.

By Mr. White:

Q. I assume, of course, that your information could not perhaps be accurate, but would you tell us, as far as you can, whether these bonds were sold generally in Canada or in foreign countries?—A. This operation was undertaken in December, 1929, and I think you will recall that in the late autumn of 1929 there was a slight disturbance in the security markets of the world.

The CHAIRMAN: Two disturbances, were there not, one in October and the other in November.

Mr. WHITE: They followed so closely on the heels of each other that the paths to the bank were worn deep.

The WITNESS: This was a very large commitment, I think possibly the largest of its type ever undertaken in Canada. We had always expected to undo a fair share of this commitment in the American markets. I think throughout the early part of 1929 we had representations from almost every old American investment house for participation in the business. In December when this business was ready you could not find an American investment house with a telescope. That market was virtually barred to us. As a matter of fact, I think we sold no securities in that great market at all.

The CHAIRMAN: The signs over the doors of investment houses were changed. They became something else overnight almost.

The WITNESS: The greater part of this issue was sold in Canada, with some smaller amounts in England and the Continent. If I may suggest this, sir: It was the most courageous financing ever undertaken in Canada, having in mind the condition of the time in which we undertook it and the lack of any assistance from the American market which is usually a very fair participant.

By Mr. White:

Q. The real point that I am endeavouring to elucidate is as to whether the great bulk of these bonds are actually held in Canada?—A. Yes, sir.

Q. Some figure has been given me, I think 95 per cent. Would that be in accord with your view?—A. I would think so.

Q. And these are still held very largely in Canada, I understand?—A. Yes.

Q. And large blocks of them in Toronto?—A. Yes, sir.

Q. Then you became, we are told, an officer of the Beauharnois Power Corporation Limited?—A. Yes, sir.

Q. In December of 1929?—A. Yes, sir.

Q. December 20th, 1929, to be accurate about it, I understand?—A. Yes, sir.

Q. And also Vice-President of the Beauharnois Light, Heat and Power Company, I understand, on the 21st of May, 1930?—A. Well, I know that I was the Vice-President of the Power Corporation. I am not at all active and presumably I have some office in the subsidiary companies although that is relatively unimportant because they are all wholly owned, as you know.

Q. Yes. And then, as we have been told, you are the holder jointly with Mr. R. O. Swezey of the three Management Preferred Shares?—A. That was something that I insisted on at the time, sir, that three of the five shares would

be registered in the joint names of Swezey and myself with proper provision for acquisition in the event of death or removal on the part of either of us by our respective firms so that, in effect, the banking house responsible for this issue would be able to keep control of the situation during the period for which the management shares rank.

By Sir Eugène Fiset:

Q. That is ten years?—A. Ten years.

By the Chairman:

Q. That was for the purpose of having the continuity of management which would be under the control of your houses, you feeling that you were responsible to your plants for the success of this operation, but you did not want to let the control get away from you—a very proper condition, I think, probably?—A. If I may just suggest this, sir: It was about that time when it was very fashionable for the huge super-power holding companies, formed principally in the States—at that time they were buying the world over control of public utilities. Conceivable, although perhaps improbable, that if through purchase in the open market the control of this undertaking had gotten into the hands of a group like that, management fees and all that sort of thing might have been imposed upon the company at the expense of the security holders, and it is considerations of that kind which actuated the setting up of management shares so that the banking house could retain control through its right to move or elect the board of directors for a period of ten years.

By Mr. White:

Q. Until the creeping stage was passed?—A. Yes, sir.

Q. Then you were present at the sitting yesterday, I understand?—A. Yes, sir.

Q. And heard some discussion as to an evidence of indebtedness from the Beauharnois Light, Heat and Power Company, to the Beauharnois Corporation of \$7,500,000. Do you desire to say something about that?—A. What I would like to bring to the attention of the committee is this: We, as I told you before, took no active hand in the proceedings of the Syndicate. However, as the undertaking began to assume final proportions and approached the stage where it could be financed, not having had any personal contact with the management and operation of the Syndicate, I asked for an independent audit of the affairs of the Syndicate, which was prepared by Price, Waterhouse in or about August of 1929. I happened to be abroad in July and part of August and, if I remember rightly, it was ready when I came back. Now, that was what we, the Dominion Securities, were chiefly concerned in, the value of this undertaking when it was transferred to the company which had to finance it. From that examination it was clear that the cash provided over and above the amount actually subscribed by the Syndicate members was, as has been brought out in this investigation, some \$2,000,000. So our problem in December, 1929, was to appraise for the new company the soundness of the value of the assets which we bought.

Q. That is, which the new company bought?—A. Which the new company bought from the Syndicate. Now, there was some precedent for comparing those values. I am not familiar with the actual terms but there was the sale of the Pagan Falls Development by the Canadian Pacific Railway to the International Paper Company. A similar transaction is the one of The MacLaren Co. They purchased some water rights on their river from the International Paper Co. In other words, there is some principle established for valuing on what you might term raw powers, and while this was not quite on all fours with that we felt that the valuing of this concern valued in that way was a reasonable one.

Now, that so far as we know, sir, is the only cash profit taken from this undertaking. The Jones profit resulted from his selling to other people interests which he owned in the Syndicate at the rather fantastic values which existed in the highly speculative period which you will remember was almost in zenith of the golden era. I would just like to make that clear, sir, that these profits of which we hear so much in the Press to-day did not come out of this. That amount was limited to \$2,000,000. Now then, from the point of the auditor's report our solicitors took hold, Blake, Lash, Anglin & Cassells, and Messrs. Meredith, Holden & Heward for the company, and they were charged by us to see that the transfer of the assets from the Syndicate to the new company followed our understanding, that that was the amount of profit involved.

Now yesterday, sir, you went through a great mass of documents all referring to the transfer of the property to the Beauharnois Power Corporation and its subsidiaries. In substance that was one transfer. A transfer of the property to the Beauharnois Power Corporation and its subsidiary. In substance, all was one transfer. The Beauharnois Power Corporation owned, as you know, fully owned, at least owns all of the shares of the subsidiaries. These subsidiaries were set up and very largely to departmentalize the undertaking. The particular item which you referred to yesterday is the result of this. \$30,000,000 was borrowed on behalf of this undertaking. The Beauharnois Power Corporation, which has no earning power whatever, is merely a holding company, in order to discharge its obligations to the public, deals in turn with obligations to it from its subsidiaries.

By Mr. White:

Q. Just right there—A. Yes, sir.

Q. If, as a matter of fact, the Beauharnois Light Heat and Power Company had an earning capacity justifying the payment of dividends on its shares, then the Power corporation have an earning capacity?—A. Quite so. But prior to that the Beauharnois Light Heat and Power must pay first, interest on sinking funds on its own bonds, secondly, interest on sinking fund on its evidence of indebtedness to the Beauharnois Power Corporation, and then its net residue advanced to the holding company—

Q. The long and short of it is that that amount was set up as an evidence of indebtedness so that the power corporation would be able to show on its books that, on the one hand, a book issue of \$30,000,000 and on the other an evidence of indebtedness of equal amount?—A. Exactly.

Q. And, it is the only significance to it?—A. Exactly.

Q. Were you consulted about the Sterling Investment transaction?—A. No, sir.

Q. Did you know about it?—A. Only in a general way. It was mentioned in the Price, Waterhouse report, as shares having been given for the acquisition of the company.

Q. Did you make any enquiry about it?—A. No, sir.

Q. Was it brought to your attention by Price, Waterhouse and Company's report that the total capital stock of that company was—?—A. Not that I recall sir.

Q.—five shares?—A. We were dependent entirely on the syndicate managers as to the wisdom of their operations.

Q. You have told us you had asked for an independent audit, and I assume the object of that audit was to enable you to form your own independent opinion as to the value of the assets which were to be turned over by the syndicate to the company?—A. Right.

Q. And it must have come to your attention, that these people whoever they were, were receiving 2,000 units?—A. We must have accepted the explanations of the managers, that that was an expedient and useful thing to do in the marketing of this project.

Q. I can quite appreciate that; but what I wanted to get at really was whether you, at that time, as far as you now recall—of course it must be qualified in that way—whether you actually went into that transaction and enquired as to what assets were to be represented by this 2,000 units, because that means \$200,000 as compared with the prices that other people were paying for units?—A. All that I can say on that, sir, is that it was represented to us as a useful thing to have done at that time, to have acquired that opposition. It was a prior claim, as explained to us.

Q. Is that the ground upon which it was made?—A. Yes.

Q. And the only justification?—A. Yes.

Q. Which was offered to you?—A. Yes.

Q. Did you, as a matter of fact, know, or was it brought to your attention that only five shares had been issued, at one dollar per share, or five dollars per share, I have forgotten which, and that an application had been made in 1924, on July 5th, and following that in the fall, that the then Minister of Railways and Canals had written that the application could not be considered, at least until after the Joint International Board had made its report?—A. So far as I am concerned, we did not question that, in the detailed way in which you are suggesting.

Q. I am wondering why, because of the fact that I know some of the care with which you go into these matters, and because of the fact that you were applying—that you had all data, and that you did consider that the cash profit was not out of the way from your standpoint, at least somebody was apparently making a pretty fair thing out of this Sterling Investment Corporation deal—as to why your mind was not directed to an enquiry as to some of the particulars as to who these people were, and how they came to be selling what apparently on the face of it, at least, was a perfectly valueless thing?—A. Well, sir, I do not know whether you are right to say it is valueless.

Q. I say, on the face of it.

Mr. JACOBS: I think they could treat it as inactive assets.

Mr. WHITE: Frozen. I want to tell you ice is not of much use in a power scheme.

The WITNESS: I remember reading Mr. Jones's evidence. I was not here. He said he had approached Mr. Taschereau, if I remember rightly, I am just taking it very sketchy, he said he had approached Mr. Taschereau who had advised him that he was late in his application because of Mr. Sweezy's. I have had no experience in this sort of thing, but I have always understood when there are prior applications lodged with the department, for some reason or other they have a value possibly far and beyond their intrinsic value.

By the Chairman:

Q. Why?—A. I cannot answer that sir, because we merely accepted the explanation given by the syndicate managers.

By Mr. Jacobs:

Q. You are not complaining, Mr. White, are you?—A. No, sir.

Q. You are not complaining?—A. No, sir.

Q. I do not see why Mr. White ought to complain if the man who purchased and paid for it is not complaining.

Mr. WHITE: Well, I may have an ulterior motive.

Mr. MACKENZIE: It is a matter of opinion.

The WITNESS: I am sorry to appear stupid or to have been careless at that time.

The CHAIRMAN: We would have a hard time convincing anyone around here that you even appear stupid.

By Mr. White:

Q. At any rate, you have told us all you know about it?—A. All I know sir. We accepted the explanation.

Q. Is there anything else you desire to speak about, because— —A. Are you perfectly satisfied with the discussion respecting the profits of the bond selling syndicate, because you appeared to believe that as if we had just made \$3,000,000, and that we had—

Q. I did not put it that way. I said the spread between the price that you paid and the price at which the public purchased the bonds was \$3,000,000 plus these 20,000 class A shares?—A. Yes.

Q. I think I have stated it correctly, have I not?—A. Yes, sir.

Q. Of course, we realize that that was not all profit?—A. That is just what I wanted to say.

Q. It costs money, I suppose, to sell bonds?—A. Yes.

Mr. MACKENZIE: That was really cost, not profit, to the initial distributing agent. The \$3,000,00 was not all profit?—A. Oh no, sir.

By Mr. White:

Q. Would you care to tell the committee what the actual profit was now that we have got to that point?

Mr. JACOBS: What interest have we in that, Mr. White?

Mr. WHITE: Mr. White has raised it.

The WITNESS: I do not want the impression to go from here that we made just \$3,000,000 some fine morning for this issue. I do not want to take up the time of the committee—

Mr. WHITE: I intend to deal with this feature later, and if certain eventualities arise it may become extremely important to know just what that profit was.

The WITNESS: If I might explain very briefly. We would expect in an issue of this type, a construction issue with commitments of this size, to have a net profit, after all of the allowances to assisting brokers, concessions in prices and expenses, and so on, of about four per cent. These issues are different from the issues of the province of Ontario and the Canadian National Railways where they are sold quickly and they have no further responsibility so far as security is concerned. An issue of this kind is quite different. If the house that sponsors it is no good, it remains the full responsibility of the market, as far as it is applied, and it is a matter of possibly three or four years to have a security of that time become well seasoned.

Now, you will recall we had an exceedingly difficult market following December, 1929. We had a standstill situation in the market, and from time to time accumulated a very large block of these securities. I would say, sir, at this stage, a running account on that particular transaction regardless of the common shares, which rests with us, that there is no profit at all on this particular transaction. These shares have dropped as low as 58. I think they are selling at 68 to-day. You have a margin of two millions in these bonds accumulated, in a drawing account in an endeavour to take care of the market, and they will stand you, say 85 or 88. You can see a very substantial loss there at once, and while I have not my records with me, I am perfectly satisfied that on balance our interest in this whole situation, exclusive of the shares, is an operating loss.

Mr. WHITE: Plus a little word of four letters, h-o-p-e?—A. Yes, sir.

By Mr. Lennox:

Q. What is the total bond issue of all of these companies, Light and Power Company and the—A. The Beauharnois Power Corporation, a holding company

pure and simple, has issued to the public thirty millions of collateral trust debentures which, as you know, are secured by the shares of its subsidiary, the Beauharnois Light Heat and Power. These assets are to-day uncharged with the exception, and perhaps I would just like to add a word to this—

Q. Answer my question, sir?—A. There will be fifty millions in all issued or some lesser amount to complete the installation of 500,000 horsepower.

By the Chairman:

Q. Thirty is to the power corporation?—A. Power corporation.

Q. Fifty is Beauharnois?—A. First mortgage bonds of the Beauharnois Light Heat and Power Company, the operating and owing company of the principal subsidiary.

Q. That fifty million dollars of the bonds of the Beauharnois Light Heat and Power Company, would that be styled major securities?—A. Yes.

Q. And the thirty million?—A. Junior.

Q. Junior or intermediate?—A. Yes.

Q. Something lesser, if I can put it that way, than the fifty millions?—A. Unquestionably, sir, by its very name, it implies that, and it is a question of having financed this in its entirety by first mortgage bonds.

Q. I just wanted to make that clear?—A. I would just like to point this out. As vice-president of the Canadian Bank of Commerce, the proceeds of the thirty million dollar debentures have been exhausted for some time. Our bank along with two other banks are now financing this company from day to day. Of the first mortgage bonds, the Beauharnois Light Heat and Power Company still to be sold—

Mr. WHITE: An issue of twenty millions, present issue of twenty millions?—A. Securities that are presently issued, nine millions—the amount actually issued to-day, issued from time to time under securities to the banks, practically nine millions advanced to-day and six millions—

Q. That is the total authorized issue of twenty millions?—A. There is actually more than that, sir.

Q. Not at present?—A. Oh, authorized, I beg your pardon. The security is what we call an open-ended security, with the privilege of issue from time to time.

By the Chairman:

Q. Up to—A. Up to a certain limit. The estimated amount to be issued for the first installation is 50 millions.

By Mr. White:

Q. Then?—A. I would like to point out—

Q. Before we leave that, my understanding yesterday, was, from reading the minutes, that there is presently authorized an issue of twenty millions, limited to twenty millions, and that as against that issue the banks are advancing these moneys from time to time, and that that is a temporary authorization to be retired when the 50 million issue or whatever that issue may be, is authorized and made and sold?—A. That is correct, sir.

Q. Yes?—A. Of the twenty millions authorized, approximately 9 millions have been issued and lodged with the bankers as security for these advances.

Q. And that is an issue of the Beauharnois Light Heat and Power Company?—A. Yes.

Q. And secured by a first mortgage on those fixed assets, speaking by and large?—A. Yes.

Q. As those fixed assets are defined in the trust deed?—A. Yes. Now, the only hope these bankers have of getting this money back, these advances, current advances, is the proceeds of the sale from time to time of those debentures, and the bankers to-day are taking the whole risk?

Q. Right there, Mr. White, when you say the proceeds of the sale of those debentures, you do not mean the proceeds of the sale of the debentures which you presently have as collateral?—A. Yes, sir.

Q. Not intended to sell them?—A. They may be replaced.

Q. Not intended to sell them, to replace them with another issue, which may be up to fifty millions?—A. You are correct. That is all the same effect.

Q. I wanted to get at the result, so there would be no confusion about it.

By Mr. Jacobs:

Q. Did I understand you to say that these bonds for which you paid ninety, are now selling at something between?—A. Sixty-eight is the actual market to-day, if I remember right. They have been as low as 55.

Q. Were there not bonuses of common shares with that?—A. Yes.

Q. At that price?—A. At that price. The bonds are accompanied by warrant, so that the shares are still—

Q. By warrant?—A. Yes, which enables them to buy class B shares.

Q. Under a warrant of delivery of common shares up to a certain point?—A. That is correct.

By the Chairman:

Q. Common shares of the Beauharnois Power corporation?—A. Yes.

Q. The bonds of the Beauharnois Light Heat and Power Company that the bankers now have as security to the construction carries with them the right?—A. No, sir. Mr. White was referring to the collateral trust bonds in the hands of the public, and traded in to-day at 68, which includes the original stock bonus.

The CHAIRMAN: I guess I am dense again. Fifty million dollars worth of bonds of the Beauharnois Light Heat and Power Company will be issued from time to time?—A. Issued and placed with the advances of bankers, yes.

Q. As security to their construction advances?—A. Right.

Mr. WHITE: I do not understand that to be the case.

The CHAIRMAN: Well, I do. Wait a moment until I get through.

Q. Then, if the market condition does not improve, am I correct in the assumption that the bankers may have to finance this project through the agency of securing the advances to the Light Heat and Power Company up to 50 million dollars?—A. They may have, but they would not, sir.

Q. No, they would not. Hope again?—A. They are taking that risk to-day, and it has no interest whatever in the Beauharnois corporation. That is what I would like to bring to the attention of this committee. The chartered banks to-day are carrying this, due to our inability to sell these first mortgage bonds, under the cloud which naturally results in an investigation of this kind.

Q. Not entirely by reason of this, surely?—A. Perhaps not entirely, but—

Q. If the project was carried to a conclusion, and the 500,000 h.p. was developed and you sold no bonds, the result would be that the advancing houses the bankers, would have to advance \$50,000,000?—A. Exactly.

Q. And you hold \$50,000,000 of debentures of the Beauharnois Light Heat and Power Company?—A. Yes.

Q. Of course, you say it won't work out that way, because you hope that you will be able to sell those bonds, or some bonds substituted for it?—A. Yes.

By Mr. White:

Q. So it may be clear, it is not that issue upon which you are advancing the money, but rather the issue of twenty million dollars which is a special temporary issue?—A. Have it your own way, the result is the same.

Mr. JACOBS: It is as broad as it is long.

Mr. WHITE: Am I not correct about that?

Mr. GRIFFITH: I think Mr. White is quite correct there. There is a contemplated issue of thirty millions which will be sold to the public in the course of time. Pending the time that that issue can be sold, a temporary expedient has been adopted with the creation of a temporary issue with a capital amount of \$20,000,000.

Mr. WHITE: Yes.

The WITNESS: In effect, it is the same.

Mr. GRIFFITH: It is a temporary expedient to provide security to the chartered banks for the current works of the company.

Mr. JACOBS: You are getting a little blood transfusion.

Mr. WHITE: To take the place of the blood they are sweating.

The CHAIRMAN: That temporary expedient might be adopted up to the whole fifty millions.

The WITNESS: Yes.

The CHAIRMAN: And these temporary bonds would be retired and bonds to take their place would probably be issued.

Mr. GRIFFITH: In theory that might happen.

The CHAIRMAN: I cannot imagine bankers not being able to sell these bonds in the meantime; I hope they will be able to.

By Mr. White:

Q. Of course, Mr. White, I take it that is a commercial proposition, these bankers have very great faith in this enterprise?—A. They never questioned the enterprise itself, sir; but there is a limit as to how much they will lend against this type of security.

Q. I would not like to create the impression or have anything I say or do create the impression that may go out, that there may be ultimately any question about the soundness of the enterprise as a commercial proposition?—A. Yes.

Q. And you have, as I understand it—I am asking for your opinion as a banker— —A. As a banker, we are absolutely satisfied.

Q. And you are vice-president of one of our largest banks, and I understand from you that you consider the proposition commercially sound?—A. Yes, sir.

Q. And it ultimately should prove very profitable?—A. Yes, sir.

Q. To those who invest?—A. Yes.

The CHAIRMAN: Are there any questions, gentlemen? Mr. Jacobs, you usually have some questions to ask.

Mr. JACOBS: No, I am perfectly satisfied with the examination of Mr. White.

The WITNESS: I should like to ask the privilege of bringing to your attention two questions. The first is the matter of the adequacy of the order in council.

The CHAIRMAN: Don't you think you are starting out now to get into a lot of trouble?

The WITNESS: No, sir, I am not going to attempt to argue it for one moment. I just want to bring this to your attention, that it strikes at the very root of the title, and if sustained—

The CHAIRMAN: I think I have an appreciation of what you are going to put down on the record, and I hope you will consider it, before you do so.

The WITNESS: I really want to bring to the attention of the committee this; that it strikes to the root of the title and would preclude, if sustained, any possible completion of the finances.

Mr. LENNOX: We will have to consider that.

The WITNESS: I appreciate that. I wanted to bring to your attention its affect on the advances.

Mr. LENNOX: I think there is a great deal in what you say.

The CHAIRMAN: Mr. White, you can rest assured that this position is appreciated.

Mr. LENNOX: If it is legal, it is legal; if it is illegal, it is illegal. If the government had no right to pass it, then we cannot—

The WITNESS: I just wanted you to perhaps appreciate the steps that we have gone through. We have the opinions of more than—

By Mr. Mackenzie:

Q. To whom do you refer as "we"?—A. The bankers. We have the opinion of Mr. St. Laurent.

The CHAIRMAN: Who is Mr. St. Laurent?

Mr. MONTGOMERY: President of the Canadian Bankers' Association.

The WITNESS: And Mr. Aime Geoffrion and Mr. W. N. Tilley.

The CHAIRMAN: These are all lawyers, I presume.

Mr. WHITE: It seems to me I have heard of them somewhere.

Mr. JACOBS: Mr. White, did you not see a statement in the press made by the Prime Minister in parliament that people who invested in good faith in the enterprise would be protected? Mr. Bennett made that statement twice in the House of Commons.

The WITNESS: I did not see that, sir.

Mr. LENNOX: I think it is the feeling of the committee, too.

The CHAIRMAN: Now, since the matter has come up, I hesitate to embark upon any discussion in connection with it, but I think I am reflecting the views of this committee. If Mr. Gardiner has any amendment to make, he will make it, but I think I am reflecting the view of this committee in saying that we are not set up for the purpose of imperilling this project. That is not the purpose of this committee at all, and I think Mr. Gardiner will agree with me in that. I trust that the investigation will not result in making or rendering it more difficult to finance the project or render insecure the position of those who have invested money in it. I think, Mr. Gardiner, I am expressing the views of the committee.

Mr. GARDINER: Mr. Chairman, insofar as the order in council is concerned, I am still of the opinion it is beyond the powers of the government to pass. There is no change in my opinion, notwithstanding all that has been brought before this committee, as far as that point is concerned. Insofar as the investors in this project are concerned, whether bankers or public, I am satisfied with the fact that no matter what the outcome of this investigation may be, these investors must be protected. That is all I subscribe to at the present time.

Mr. MACKENZIE: In regard to these premature declarations of policy, I think they are entirely premature at this stage. I think it is very unfair for any member of the committee to make any public declaration in regard to P.C. 422 until we have finished the taking of evidence and deliberated in camera.

Mr. GARDINER: As far as any explanation I have made goes, I was forced to make that explanation because of the statement of the chairman.

The CHAIRMAN: This committee obviously cannot determine the legality of it.

Who is the next witness?

Mr. WHITE: I think it would be proper to recall Mr. Henry.

Mr. STARR: We are not through with Mr. Griffith, are we?

Mr. WHITE: No.

Witness retired.

R. A. C. HENRY, recalled.

By Mr. White:

Q. You are already sworn, Mr. Henry. When we interrupted your examination the other day, we were just about to embark on a discussion of your connection with the Sterling Investment Corporation.—A. Industrial Corporation.

Q. And we were not in a position to have you make a statement at that time in regard to it, and I should like you, in your own way, to tell us of your connection with that Company?—A. As I was explaining, I started as a hobby the investigation of the power resources of the Soulanges section in the latter part of 1923.

Mr. STEWART: Speak a little louder please?—A. In the fall of 1923.

By Mr. White:

Q. I thought you told us at that time you were—A. At that time my position was a director of the Bureau of Economics of the Canadian National Railways. I concluded, as a result of the investigation, as I explained, that the commercial possibilities for the power development in that section were about right, so to speak.

I, as I explained, enlisted the financial backing of Dr. McDougald and proceeded to have an investigation made by a consulting engineer named J. B. McRae, of the city of Ottawa whom I knew.

By the Chairman:

Q. Can you give us about the date of your first interview with McDougald when you succeeded in enlisting the financial backing?—A. Some time in the fall of 1923.

By Mr. White:

Q. Would you give the committee an idea of the extent of that financial backing at that time?—A. Well, I think he asked me about what I thought the out-of-pocket expense would be, that is, outside of the part that I would play in it myself, and my recollection is that I estimated that to be in the vicinity of \$10,000.

Q. May we take it then as your evidence that Dr. McDougald arranged with you to finance your enquiry and your efforts up to \$10,000?—A. I merely put that as what I thought to be the limit. I do not think there was any real limit upon what he more or less tentatively agreed to do in that regard.

Q. Well, to what extent did he help you financially at that time?—A. I made an arrangement with Mr. J. B. McRae—

Q. He is the Ottawa Hydraulic Engineer?—A. He is a well-known Ottawa engineer, and he undertook to go over the ground and examine such reports and plans as had been prepared, and started to lay a basis for an estimate of the cost of developing, I think the amount was 30,000 cubic feet a second.

Q. With how many resulting horse power?—A. I do not recall. Let me see, at an 80-foot head—

Q. It would be about 300,000?—A. It would not be quite that. About 240,000, I think. The particular reason for choosing the 30,000 cu. ft. a second was the result of some discussion which Mr. McRae had with Mr. McLachlan, and that seemed to be about the minimum amount that could be developed and make an economic development. At any rate, while McRae was making this investigation—

By Mr. Lennox:

Q. What was the object in getting McRae to do it, you are an engineer?—A. I am an engineer, that is perfectly correct. But I was in the employ of the Canadian National Railways and did not have the time myself to prepare the necessary plans and estimates in sufficient detail to appear before government departments, and so on.

Q. If you had had the time, I suppose, you would have done it yourself?—A. If I had had the time I would have, yes. But it was a matter which required a considerable amount of drafting, and so on. Mr. McRae proceeded to make this investigation, as I have said, and my recollection is that the amount of money which I agreed to pay him on account of that was around \$3,000. A corresponding arrangement was made a little later through the firm of McGiverin, Haydon & Ebbs—

Q. Whose money was that?—A. That was Dr. McDougald's money.

By Mr. White:

Q. So that at that time not only was the gentleman who afterwards became Senator McDougald interested in the matter but the firm of McGiverin, Haydon & Ebbs were apparently active?—A. Well, the situation which brought that about was this: When I got to the point where I considered this project to be sound I knew that some sort of corporate structure had to be devised through which to make an application in due course to the Department of Public Works, with a view to making an arrangement about the developing of power. I knew also that the customary procedure up to that time was to make that application, by first applying to the province of Quebec and getting an emphyteutic lease and then going to the Department of Public Works, Ottawa, under the Navigable Waters Protection Act. But it struck me that the report which the International Joint Commission had made in 1921 indicated that perhaps the government had a different idea in mind regarding the water powers upon the St. Lawrence River, and that the intention might be to have this developed in connection with navigation as a Federal project. So having got this report and so on—

Q. You mean the McRae Report?—A. The McRae Report, I had an application made. Well, first of all, I had the Sterling Industrial Corporation organized. I had that done through the firm of McGiverin, Haydon & Ebbs.

Q. That application was made?—A. That application was made.

Q. On the 5th of July?—A. On the 5th of July.

Q. And the application to the Department of Railways and Canals was made on the same date?—A. About the same date.

Q. On exactly the same date?—A. Yes. Well, I have forgotten the details about that.

By Mr. Lennox:

Q. Were they your solicitors or McDougald's?—A. Well, I had met Senator Haydon. I do not know whether he was Senator then or not, but I had met him in connection with some claims in the Department of Railways and Canals two or three years previously, and his name was the name that occurred to me at the time.

Q. Did you go to them at the request of McDougald who was financing you?—A. I think perhaps I did discuss it with McDougald. I imagine that I did. I do not remember the precise circumstances at the moment.

Q. Do you know if they are Senator McDougald's solicitors?—A. I am afraid I cannot answer that, Mr. Lennox.

By Mr. White:

Q. Perhaps you can tell us who paid for the incorporation of the company?—A. I imagine that Senator McDougald paid for that.

Q. You did not?—A. I did not. Personally I spent no money on the Sterling Industrial Corporation except such out-of-pocket expenses as resulted from my own enquiries.

Q. As resulted from your own enquiries?—A. Yes.

Q. And no moneys that were spent by you?—A. Any moneys that were spent were spent by Senator McDougald to the best of my knowledge.

Q. And the application that was made to Parliament, or at least to the Department of Railways and Canals was, I understand, accompanied by this plan?—A. I believe so.

Q. And that plan is made by J. B. McRae, and Mr. McRae was paid in the way you indicate for making the plan?—A. Yes, sir.

By Mr. Jacobs:

Q. Was Senator McDougald a member of the Senate at that time?—A. I do not know, I cannot recall.

Q. I understand he was named in 1926?—A. I do not know.

Q. At that time he was a common man like we all are here?—A. I really do not remember when he became Senator.

By Mr. White:

Q. This plan is a part of Exhibit 61. Did you personally consult with McGiverin, Haydon & Ebbs first in regard to the particulars of the charter which was desired to obtain incorporating the company, the Letters Patent?—A. I sat down personally down with—I do not know whether he was Senator Haydon then or not—Andrew Haydon, the second name of that firm, and went over the phraseology of the Letters Patent with him.

Q. I see. And the same thing in regard to the application to the Department of Railways and Canals?—A. Yes, I certainly went over that with him myself.

Q. And the subsequent application of the 7th of July to the Department of Public Works?—A. Yes, both applications.

Q. Did you personally pay for the services of Mr. Haydon or his firm in connection with either of these applications?—A. No, sir, I did not.

Q. Then the charter was granted. The applicants are Mr. Haydon, Mr. Ebbs who was, I understand, Mr. Haydon's partner, Miss Mary Hilda Kelly, Miss Belle Fraser and Miss Lyla Brennan, as appears by Exhibit No. 63, a copy of the Letters Patent, and who then became the shareholders?—A. Yes.

Q. Were any shares in this company ever transferred to your name?—A. No, no shares were ever transferred. I might explain in that connection, that the purpose in making this incorporation was solely to have a corporate

structure rather than a person through whom to make the application. That was all.

Q. That may be, but you might have been in a bit of a fix if your application had been granted?—A. Well, yes. There is another explanation for that. Before the application was actually put in, and while the engineering investigation was being made, a circumstance occurred which led me to believe that it would be useless to press an application of that kind, and that was the fact that the government of Canada and the United States adopted one of the suggestions made by the International Joint Commission and appointed an enlarged engineering board to enquire into the engineering estimates made by the previous Board.

Q. Resulting in the report of 1925?—A. Resulting in the report of 1926, and I knew there wasn't any sense in proceeding with the organization of a company of that kind while that investigation was under way, so it was merely allowed to lie.

Q. And the shares continued to be held in the names of the incorporators?—A. Yes, I believe so.

Q. On whose behalf were they held?—A. I believe that later on three permanent directors were nominated merely to keep it alive. J. P. Ebbs was the President.

Q. Yes?—A. Now, there was not any definite understanding between myself and Dr. McDougald as to just how each of us would finally participate in any results of a development of this kind.

Q. Was there an understanding that you would participate at all?—A. That I would.

Q. That he and you would.

Hon. Mr. MACKENZIE: That was the hope.

The WITNESS: There was certainly the hope.

Mr. JACOBS: There was a gentleman's agreement, at any rate.

By Mr. White:

Q. Mr. Jacobs suggests that there was a gentleman's agreement at any rate, what do you say as to that?—A. Well, I may say that that was discussed but we preferred to leave any definite arrangements to subsequent developments.

Q. May I take it then that the beneficial ownership in these shares was in you and Dr. McDougald?—A. Unquestionable, absolutely. There is no question about that.

Q. But that the proportion in which you were to participate had not been determined?—A. That is correct.

Q. Have they ever been determined?—A. They have.

Q. With what result to you?—A. With the result to me that I participate to the extent of 50 per cent.

By the Chairman:

Q. When was that determined, Mr. Henry?—A. That was definitely determined on the eve of my going into the hospital for an operation for appendicitis in August, 1921.

Q. You agreed to divide the interest?—A. Well, at that time the capital stock of the Sterling Industrial Corporation had been transferred to the Beauharnois Power, or the Beauharnois Syndicate I guess it was.

By Mr. White:

Q. What agreement had been made?—A. And the agreement was merely made then because of the fact that I was going into the hospital and I might not have come out alive. That was the purpose of it.

Q. You had then, as a matter of fact, made the arrangement with the Beauharnois Syndicate?—A. Yes, an agreement had been made in the Fall of 1928, for the sale of the stock to the Beauharnois Syndicate.

Q. The Fall of 1928?—A. Yes.

Q. That would be in October?—A. If my memory serves me right, it was just before Christmas, 1928.

By Mr. Lennox:

Q. 50 per cent meant what to you?—A. Well, that would have meant the equivalent of a 1,000 part-interests.

Q. And McDougald got the other?—A. Yes.

By Mr. Gardiner:

Q. Was that the way it was finally carried out, on that basis?—A. The transaction has not been entirely completed. For example, the resulting stock is still in Senator McDougald's name, but he has agreed to transfer it to me.

Q. But that is going to be the final settlement.—A. Oh, yes.

By Mr. White:

Q. And you say that an agreement was made, that is, the agreement between the Sterling Power Corporation and the Beauharnois Syndicate, in the Fall of 1928?—A. Yes. If you would like me to explain the circumstances leading up to that—

Q. I would like you to explain them, yes?—A. You left me the other day at the time I had started discussions with Mr. Sweezey.

Q. Yes?—A. In the summer sometime, I would say in the middle of the summer of 1928—and the question then was whether I would endeavour, on my own account, to carry out the original project I had in mind, remembering in the meantime, notwithstanding the fact that that section of the river was under investigation. I knew that ultimately some plan would emerge and I proceeded to study it physically and from the standpoint of those rights which then existed, and also from the standpoint of making a large number of estimates on my own account, reading and analyzing the reports which had been made by all the engineers whose reports I could obtain.

By the Chairman:

Q. When did you start doing this, what year were you doing this?—A. Oh, well, I continued to do that even although I knew that there was not any prospect of any immediate development, I continued right after McRae's report, I never let up at all.

Q. You visited the ground?—A. Yes, I visited the ground. I walked over every foot of the ground up and down the river.

Q. And spent a lot of time and thought on it?—A. Oh, absolutely.

Q. Commencing right after the McRae report to you?—A. Yes.

Q. And right down to the time when you joined the Beauharnois Company.—A. At the time I met Mr. Sweezey I was confident that I knew more about that than he did, more about that section of the river.

By Mr. White:

Q. Was your meeting with him in consequence of an application that had been made?—A. It was in consequence of some discussion I had had with Mr. Robert in which he made a suggestion that perhaps I might see Mr. Sweezey, and because of the fact that I had heard a good deal about the activities of the Syndicate which Mr. Sweezey had then organized some time previously.

Q. I did not quite catch when that was?—A. That was in the middle of 1928, some time.

Q. Your first interview with Sweezey?—A. Yes.

By Mr. Gardiner:

Q. And during all this time while you were making the investigation were you financed by Senator McDougald?—A. No. There were no expenses involved in it except incidental expenses that I paid out of my own pocket. I did all the work myself. I did interview some Boston banking houses with a view to seeing whether they would be interested in a project of this kind or not, and through some freinds of mine in New York I got in touch with Dillon Reid, and went over in a general way the characteristics and possibilities of that section.

By Mr. White:

Q. Then you met Mr. Sweezey in the summer of 1928?—A. I met Mr. Sweezey, yes.

By Mr. Lennox:

Q. During this time were you in the employ of the Canadian National Railways or in the employ of the Government?—A. I was during that time director of the Bureau of Economics, Canadian National Railways. And I might say, lest there be any doubt on this point, that before I even considered going into a project of that kind I went to Major Bell who was then Deputy Minister, and asked him if he thought there would be any impropriety in my engaging personally in the exploitation of a development of that kind because, although I had left the Department of Railways and Canals, they still considered me as belonging to the department so far as the affairs of the Canadian National Railways were concerned. I probably knew more about it than anybody else, and Major Bell used to consult me a good deal upon the affairs of the railway. But his answer to me was that it would be, in his opinion, no impropriety.

After my first meeting with Mr. Sweezey I considered the situation, studied what he told me about the prospects and so on, and met him two or three times and became somewhat interested in his ideas and his imagination, and finally—I would guess this to be around the 1st of December—Senator McDougald—

By Mr. Lennox:

Q. What year?—A. 1928. And Senator McDougald asked me whether I would consider merging my interests with the Sweezey group. Well, I took that matter into consideration and shortly thereafter told him that I thought I would. He then asked me what I thought the value of the Sterling Industrial Corporation was. Well, as more or less of a gamble, but based upon the consideration that I thought I knew as much about the possibilities of that section as anybody else in Canada—and certainly I thought I knew as much about it as Mr. Sweezey—I made the suggestion that 2,000 part-interests would be a fair remuneration for myself and Dr. McDougald for the Sterling—

Q. That what would be?—A. 2,000 part-interests. Subsequently to that Dr. McDougald and Mr. Sweezey did make an arrangement along those lines.

Q. Well?—A. Well it was subsequent to this. I imagine it was in December some time.

Q. December, 1928?—A. Yes.

By Mr. White:

Q. I find out by reference to the Parliamentary code that Senator McDougald was appointed to the Senate on the 15th of June, 1926.

Mr. STARR: No, that is not right Mr. White. That Commission expired, you will find out, in the House of Commons Manual, and it was renewed and he was appointed in 1926, October.

Mr. WHITE: And that Mr. Andrew Haydon was appointed on the 11th of March, 1924.

Mr. LENNOX: Senator McDougald, what date.

Mr. WHITE: Mr. Starr says that he was first appointed on the 25th of June, 1926, but for some reason that commission expired and he was reappointed.

Mr. STARR: A new commission was issued for October, 1926.

Mr. WHITE: Do you know the exact date?

Mr. STARR: No, it is not given.

Mr. WHITE: Do you know the reason.

Mr. STARR: I am not in the box, but I do not know the reason.

Mr. JACOBS: It was held up due to the election.

Mr. WHITE: Called to the Senate June 25th, 1926, but commission having failed to issue was again called in October, 1926.

The CHAIRMAN: Was not that the same day that the Government resigned.

Mr. JACOBS: It is a funny coincidence isn't it, but it was. It was ratified by the Liberals.

Mr. WHITE: That is obviously the reason. It was a question of political exigency perhaps.

By Mr. White:

Q. Was there a written agreement between the Sterling Corporation and the Syndicate?—A. I believe there was. I do not know the terms of it but I believe there was.

Q. Do you know where it is?—A. A written agreement, no, I do not.

Q. Do you know as a fact whether Senator McDougald signed a written agreement?—A. Oh, I do not think Senator McDougald signed an agreement. The agreement, I believe, was made between the President of the company who was J. P. Ebbs.

By Mr. Lennox:

Q. What was the object of issuing the shares to Ebbs rather than direct to McDougald?—A. Well, as I think I explained before Col. Lennox, this was merely a corporate organization against the time when it might be deemed proper to start out with a real, honest, corporate structure.

The CHAIRMAN: Do not put it that way, Mr. Henry, that is very damaging.

The WITNESS: A real, corporate structure to carry the work out. In the meantime, the company having been organized in McGiverin Haydon & Ebbs Office, we just left them there as directors, as they were in the first place.

By Mr. Lennox:

Q. But why were not the shares issued direct to McDougald?—A. The shares of which.

Q. The part-interests?—A. I believe the part-interests,—I am not sure about that.

Q. They were issued to Ebbs?—A. I am not altogether sure.

Q. Was there any reason for that?—A. Ebbs, of course, was the President of the company, and I presume that as the President of the company he was entitled to receive the part-interests.

By Mr. White:

Q. It was the company that was entitled to receive that?—A. I mean the company. He received them on behalf of the company, I am reasonably sure.

Q. One would have thought, ordinarily, that they would have been issued in the name of the company?—A. I do not know just how that transaction took place, Mr. White.

Q. Did you, so far as you are concerned, nominate Mr. Ebbs to receive your shares?—A. Oh, yes. He was my nominee throughout. I think I instructed Mr. Ebbs to take his instructions at that time from Senator McDougald, because Senator McDougald was then interested in the Syndicate.

By the Chairman:

Q. Mr. Henry, from the beginning of your relations with Senator McDougald down to the present time, have you ever had a written agreement signed by the two of you?—A. The only written agreement that was ever signed by the two of us was the one to which I referred, and which was signed just before I went into the hospital in August 1929.

Q. Where you would divide equally?—A. That is right.

Mr. WHITE: I do not know whether this has been filed or not. I have been furnished with a copy of the agreement between the Beauharnois Power Syndicate and John P. Ebbs and Lyla Brennan. It has been furnished by the kindness of my friends, I think Mr. Griffith.

Mr. JACOBS: I am willing that it should be filed, Mr. White, so long as it does not contain any reference to the St. Louis feeder.

Mr. WHITE: I wonder if I could have a separate copy of this? This copy is bound up in my brief.

This will be Exhibit No. 75.

This Memorandum of Agreement made in triplicate at the city of Montreal in the Province of Quebec, this eighteenth day of December, One thousand nine hundred and twenty-eight:

By and Between:

The Beauharnois Power Syndicate an unincorporated Syndicate organized and existing under and in virtue of an agreement made at the city of Montreal on the fourth day of April, 1928, by and between F. Stuart Molson and others of the first part and Marquette Investment Corporation of the second part, hereinafter called the "Syndicate"

Of the First Part

And:

John P. Ebbs, of the city of Ottawa, in the Province of Ontario, Barrister, hereinafter called "the said Ebbs"

Of the Second Part;

And:

Lyla Brennan, hereinafter called "the Trustee"

Of the Third Part;

Witnesseth as follows:

1. The Syndicate and the said Ebbs in consideration of good and valuable consideration each to the other paid the receipt and sufficiency whereof are hereby acknowledged, hereby covenant and agree together that provided the application of Beauharnois Light, Heat & Power Company to the Dominion Government for approval of its plans and site be granted on or before the thirty-first day of January, 1929, the said Ebbs will transfer and make over, or cause to be transferred and made over to the Syndicate and/or its nominees all of the issued Capital

Stock of Sterling Industrial Corporation Limited, and the Syndicate will allot and issue to the said Ebbs and/or his nominees two thousand (2,000) fully paid and non-assessable Part-Interests of the Syndicate in consideration for and against delivery and transfer of the said shares of Sterling Industrial Corporation Limited.

2. The certificates for the said shares of Sterling Industrial Corporation Limited effectively endorsed for transfer in blank, have been delivered to the Trustee to be held and disposed of by the Trustee in accordance with the provisions of this agreement.

3. A copy of this agreement together with a certified copy of the resolution of the Syndicate another copy whereof is hereto annexed had been delivered to Marquette Investment Corporation, the Depositary and Transfer Agent of the Syndicate, in order that the said Part-Interests and certificates therefor may be issued to the said Ebbs and/or his nominees by the said Marquette Investment Corporation if and when the same Ebbs and/or his nominees become entitled under the provisions of this agreement to the issue of such Part-Interests.

4. If the said application of Beauharnois Light, Heat & Power Company for approval of its plans and site be not granted by the Dominion Government on or before the thirty-first day of January, 1929, then the Trustee shall return to the said Ebbs and/or his nominees the share certificates of Sterling Industrial Corporation Limited and the said Marquette Investment Corporation shall no longer be entitled to issue the said two thousand (2,000) Part-Interests, or any part thereof, or certificates for the same, in virtue of this agreement and of the said resolution.

5. The said Ebbs hereby covenants and declares that Sterling Industrial Corporation Limited has no outstanding liabilities other than its liabilities to the holders of its outstanding shares and that the said outstanding shares are all fully paid and non-assessable, and that the shares the certificates for which have been deposited with the Trustee are all the outstanding shares of Sterling Industrial Corporation Limited.

By Mr. White:

Q. Then having made the deal as you say, the deal being made between Mr. Sweezey and Senator McDougald, you became interested at least on the 18th of December in the Beauharnois project?—A. I considered myself as interested at that time.

Q. Yes, to the extent of what subsequently turned out to be a 50 per cent interest in 2,000 units?—A. Right.

Q. And obviously, of course, Senator McDougald became similarly interested?—A. He did.

By the Chairman:

Q. Mr. Henry, did you consider that by reason of your having made your application in 1924 that you and your associate, Mr. McDougald, through the agency of the Sterling Industrial Corporation, had just as much right to that concession as Sweezey and his associates?—A. Well, I would not put it quite that way. Speaking for myself now, I believed that I was able to carry through a project for the developing of power in that section just as well as Mr. Sweezey was.

Q. That is, by reason of your peculiar knowledge from an engineering standpoint of the difficulties that had to be surmounted?—A. Right.

By Mr. White:

Q. And did Senator McDougald agree with you in that view?—A. Well, I do not know as to that.

Q. Did you not discuss it with him?—A. Well, I do not know that I discussed that particularly.

Q. Were not you able to convince him that you were the kind of person that you have just now described?—A. Well, I don't know as to that.

Q. He expressed himself satisfied anyway to go in with you?—A. Oh, yes. As a matter of fact, he left the whole thing in my hand.

By the Chairman:

Q. Let me put it this way, Mr. Henry: When you filed your application did you feel that you had any right over anybody else to be favourably considered by either the province of Quebec or the Dominion government?—A. Well, as I explained, Mr. Gordon, I did not think that I had any right so far as the province of Quebec was concerned, because I had proceeded upon the hypothesis that the Federal government probably had in mind developing this power itself, and therefore if the Provincial rights question was to be dealt with it would be dealt with by the Federal government: So I made the application to the Federal government, and even so far back as 1928 I was not sure in my mind whether the Federal government or the Provincial government had the right.

Q. Am I right in this, Mr. Henry, that you having the knowledge you did have of the possibilities in this section, took the steps that you described of placing an application on record with the Dominion government and at the time knowing that others were interested in the project as well?—A. Oh, yes.

Q. And you did not propose to let anybody else go on and develop that without taking care of Henry and McDougald?—A. Well, that is probably one way of putting it, Mr. Chairman.

By Mr. White:

Q. Then having that interest in the project, you became Deputy Minister of Railways and Canals on the 14th of February, 1929?—A. The 14th February, 1929. I might explain, in that connection, that Major Bell died on January 13th. I went to his funeral with Sir Henry Thornton, and after the funeral Sir Henry Thornton told me that now that Major Bell had died Mr. Dunning, the Minister of Railways, was anxious that I should assume the Deputy Ministership. I told Sir Henry then in no uncertain terms that I could not consider it under any circumstances.

Q. Did you tell him why?—A. I did not tell him why. Three or four days after that I met Mr. Dunning in Ottawa, in the ordinary way, and at that time he opened the subject with me. I told him that I could not accept that position.

Q. Did you tell him why?—A. I told him why.

Q. The reason being that you were interested in this project?—A. Two reasons, first of all that I did not believe that I wanted to go back into the government service, and second, that I felt it would be improper for one interested in a project such as the Beauharnois to do so.

Q. I see?—A. Mr. Dunning asked me not to close the door, and a day or two after I went west for Sir Henry. When I came back Sir Henry called me in and he told me that Mr. Dunning was insisting upon me taking the position because it was approaching the session, and he knew of nobody else in Canada who had the knowledge of the railway situation—and particularly the Canadian National Railways—that I had. There was a heavy railway program going through, and he thought I ought to consider accepting it at least for the session. I saw Mr. Dunning subsequent to that, and I again put the question up to him of the propriety of one being interested in this Beauharnois project accepting a position of that kind. His answer was that it is true there is an application before the Department of Public Works, but he did not think there would be

any chance of any reference being made to the Department of Railways and Canals, and if there should be he would recognize the fact that I was interested in it, and would not call upon me, or suggest that I give him any advice on it. Well, I still demurred because I did not want to sever by connection with the Canadian National Railways, to say the very least. The session then came on. The matter was still in abeyance and finally at the urgent request of Mr. Dunning on the one hand and Sir Henry on the other I agreed to act in the combined capacity of Director of the Bureau of Economics, Canadian National Railways, and Deputy Minister.

I will say there was a third reason why I did not want to accept it, and it was this: That when I was West I had an acute attack of appendicitis. Coming back I had an examination after which the Doctor advised me to go into the hospital. That was on my mind and I did not want to undertake the strenuous duties, apart from any other consideration, with that hanging over me. However, the doctors told me that if I did not get away out of reach of a hospital that I would probably be all right. That operation took place in August of the same year. But I did finally agree to accept the Deputy Ministership under the conditions named, for the session.

By Mr. Jacobs:

Q. And you also had your office with the Canadian National Railways at the same time?—A. I did.

Q. You did not relinquish it?—A. No.

Q. And you had salary from both departments?—A. There was an adjustment of salary on the Canadian National, because I only spent a couple of days a week on that job.

By Mr. White:

Q. Of course, the fact remains that at the time you were Deputy Minister of Railways this matter was pending?—A. Was pending before the government, yes, sir.

Q. And you had the interest which you have now disclosed to us?—A. I had the interest which I have now disclosed.

By Mr. Stewart:

Q. Did you understand, Mr. Henry, that you were appointed to that position by Mr. Dunning?—A. Well, I understood that I was appointed to that position on the report of Mr. Dunning. He was the Minister.

Q. But who makes the appointment?—A. I believe it is the Prime Minister.

MR. JACOBS: Appointed by the Governor in Council, of course, on the recommendation of the Minister of Railways.

MR. STEWART: Oh, no. The Prime Minister.

THE WITNESS: I had no discussion with the then Prime Minister on the subject of my appointment as Deputy Minister.

SIR EUGENE Fiset: The ordinary course was followed in your appointment, the same as with the appointment of every Deputy Minister. On the recommendation of your Minister to the Privy Council, and of course, the order in council was signed by the Prime Minister to be approved by the Governor in Council like every other order in council.

MR. JACOBS: Every order in council is signed by the Prime Minister.

MR. WHITE: But, General Stewart makes the distinction that in the case of an appointment such as this the recommendation to council is made not by the Minister of the Department but by the Prime Minister.

MR. STEWART: Mr. Bennett made that statement in the House this session.

Mr. WHITE: If there is any question about it we can ask for the order in council appointing Mr. Henry.

Sir EUGENE Fiset: I think it is a matter of routine. The report to the Privy Council under which an order in council is passed and signed is made by the Minister to the Privy Council, then the order in council is prepared and signed by the Prime Minister to be approved by the Governor General. That is the ordinary procedure.

Mr. WHITE: We can very easily settle it, Mr. Chairman, if the committee would direct the clerk to ask for a certified copy of the order in council.

The CHAIRMAN: Not the order in council, the recommendation to council.

Mr. WHITE: Well then, the order in council and the recommendation to council upon which the order in council was based. That is the wish of the committee, is it.

The CHAIRMAN: Yes.

Mr. WHITE: Then we interrupted you there, Mr. Henry.

Mr. MONTGOMERY: At that point I would suggest as some question had apparently been raised to this appointment, that in fairness to Mr. Henry, Sir Henry Thornton and Mr. Dunning be summoned by the committee.

The CHAIRMAN: In fairness to Mr. Henry?

Mr. MONTGOMERY: Yes.

The CHAIRMAN: I think Mr. Henry has been very, very candid.

Mr. JACOBS: Mr. Henry has been a very frank witness, and I do not think any person here questions what he says.

Mr. WHITE: I may say that I concur in the remark made by Mr. Jacobs, as far as I have anything to say about it.

The CHAIRMAN: I think Mr. Henry has been refreshingly frank.

Mr. LENNOX: If Mr. Henry would like to have them called the committee would be very glad to call them.

Mr. JACOBS: Speaking for myself, I am satisfied with Mr. Henry's evidence.

Mr. LENNOX: I think we all are.

The CHAIRMAN: I believe Mr. Henry is giving us his recollection of the events as they happened, but I would not like to subscribe to what Mr. Jacobs has suggested, that we are altogether satisfied with it.

Mr. JACOBS: Satisfied with his evidence.

The CHAIRMAN: Perhaps there is a refinement there.

By Mr. White:

Q. Then you were Deputy Minister at the time—on the 8th March, 1929—
—A. I was.

Q. When order in council P.C. 422 was signed?—A. Yes.

Q. Did you realize that an application would be necessary to your department or the department of which you had become Deputy Minister for permission to breach the Hungry Bay Dyke?—A. I do not think I thought very much about it. I did not take any part or interest in that from the Department of Railways point of view.

Q. It must have been very difficult for you to keep your hands off it.

By Hon. Mr. Mackenzie:

Q. You must have known it was necessary to cut through the dyke?—A. I think perhaps that is a fair question.

Q. You must have known it?—A. I think I did.

Q. You must have known an application must have been made to the Department of Railways and Canals?—A. Yes.

Q. Was that ever referred to during the Spring of 1929?—A. I think there was one letter came in while I was Deputy Minister in reference to Hungry Bay Dyke. But I also knew, Mr. Chairman, that before that could be considered it was necessary for the company to settle its road situation with the municipalities.

Mr. MONTGOMERY: For the sake of correction, might I draw Mr. White's attention to the fact that the application was to buy a section of the dyke, not to breach it. This is in a section of a provision of the Navigable Waters Act, that if any public property is involved you must make an application for the acquiring of it.

Hon. Mr. MACKENZIE: Have you got the application.

Mr. MONTGOMERY: It is in the printed regulations.

By Hon. Mr. Mackenzie:

Q. When was the application made to the Department of Railways and Canals in regard to the Hungry Bay Dyke?—A. I do not recall.

Q. It was subsequent to the order in council, was it not?—A. Oh, I am not sure.

Hon. Mr. MACKENZIE: That is my recollection.

Mr. WHITE: It is in one of the departmental files.

Mr. MORIN: Exhibit 35.

The CHAIRMAN: My recollection may be at fault, but if I remember correctly you said that at the time you were appointed Deputy Minister of Railways and Canals, Mr. Dunning knew of your interest with Senator McDougald in this project?—A. Oh, absolutely. I could not under any conditions have accepted that position.

By Mr. Jacobs:

Q. And also Sir Henry?—A. Oh, yes.

By Mr. Lennox:

Q. You told them?—A. I told both of them, absolutely. I could not do anything else.

Q. You have already told us that in your evidence before?—A. Oh, yes.

Mr. MONTGOMERY: In regard to those dates, Mr. White, I have the blue-prints of these applications. The original application was made on July 24, 1928.

Hon. Mr. MACKENZIE: That is in regard to the Hungry Bay Dyke.

Mr. MONTGOMERY: In regard to the Hungry Bay Dyke, yes. The amended application, with amended plan, bears date July 29, 1929. The first is July 24, 1928. The amended one is July 29, 1929. I do not know which of those was put in as Exhibit 35.

By Mr. Jacobs:

Q. Mr. Henry, when did you resign from the Department of Railways and Canals?—A. I did not resign until March 30, but that was because of a series of circumstances.

The CHAIRMAN: We will adjourn until half-past two.

The committee adjourned at 1 p.m. to resume at 2.30 p.m.

AFTERNOON SITTING

On Resuming at 2.30 P.M.

R. A. C. HENRY, examination resumed.

Mr. MONTGOMERY: Before proceeding with the examination of Mr. Henry, let us clear up the two applications re Hungry Bay Dyke. Exhibit 35 was only one of the two, and I do not know which one that was.

The CHAIRMAN: I have it in my notes as "application to Department of Railways & Canals No. 16299, dated July 29th, 1929, application for Dyke." The plan is dated June 17th, 1929. If it is not in we can put it in as Exhibit 35A.

Mr. MONTGOMERY: That was an amended application.

Mr. LENNOX: What is the date of the other?

Mr. MONTGOMERY: July 25th, 1928.

Mr. WHITE: I have it all here in the file, Mr. Chairman.

Mr. MONTGOMERY: Did you file 35 separately, or was 35 the entire file?

Mr. WHITE: The entire file. The first application was forwarded in a letter to the Minister of Railways and Canals under date July 25th, 1928, from Col. A. T. Thompson, which is page 12 of Exhibit 35, being file 10378:

Herewith I hand you a letter dated July 24th, 1928, written by the above company, addressed to you, applying for the grant to it by the Crown of that part of the dyke known as "Hungry Bay Dyke" running along the shore of Lake Francis in the Country of Beauharnois, and of the lands and foreshore adjacent to such part belonging to the Crown.

I also hand you, each in quintuplicate, the description set out in Schedules "A" and "B" and the two plans, all of which are referred to in said letter and are bound together in one document.

Then there is a note on the bottom of the letter in someone's handwriting. Perhaps Mr. Henry could tell us whose it is.

Q. Will you look at this letter which I am referring to, Mr. Henry, and tell me if you can make out what is on the bottom of it there and whose handwriting it is?—A. It is "To Secretary for acknowledgment only and return to Chief Engineer, A. E. Dubuc, Chief Engineer".

Q. In other words, on receipt of that application, the Chief Engineer, Col. Dubuc, handed it over to the Secretary with a note that he was simply to acknowledge receipt?—A. That is it.

Mr. WHITE: The application is attached, and you will remember there was a long description there and we went into that with Mr. McLachlan, with plan attached, and it applies for a grant, as Mr. Montgomery stated.

The CHAIRMAN: A grant of the Hungry Bay Dyke for a distance of something over 8,000 feet.

The WITNESS: I am not sure about that.

Mr. MONTGOMERY: It was about 7,000 feet.

The CHAIRMAN: Covering at least the foreshore that the company owned.

Mr. MONTGOMERY: I assume so. The plans described it as about 7,000 feet. That was July 24th, 1928.

Mr. WHITE: Yes. It was forwarded with a covering letter by the solicitors. The second application appears on page 3 of Exhibit No. 35, file No. 16299, and is the file following the last one, that is, part of the file and the application is

dated July 29, 1929, addressed to the Secretary of the Department of Railways and Canals, and is an application which reads:

Application by Beauharnois Light Heat & Power Co., for the purchase of a part of Hungry Bay Dyke, now owned by the Department of Railways and Canals, Canada.

Sir:

The Beauharnois Light, Heat & Power Company desires to make application for a certain part of the dyke.

And the description follows, and you will recall it was some 9,600 feet I think.

Q. There is a notation by the Secretary on the bottom of that, Mr. Henry?

—A. That is a notation by the Secretary, J. W. Pugsley, apparently to members of the corresponding staff to acknowledge and then to refer to the Chief Engineer.

Mr. WHITE: And there appears immediately in front of that application a copy of a letter to the Secretary of the Beauharnois Light Heat & Power Co., signed by J. W. Pugsley, Secretary, Department of Railways & Canals, acknowledging receipt of the application of the 29th of July.

On August 1st the Chief Engineer writes to Mr. Pariseau, Superintending Engineer, Montreal, enclosing the application and asking for a report and recommendation. On September 5th the Chief Engineer writes to Mr. Pariseau asking for a reply to his letter of August 1st, and Mr. Pariseau puts in his recommendation of September 12th to Colonel Dubuc. And you will recall that that was an inter-departmental communication and there was some question as to whether it should be read. We did read part of it.

Then on September 14th, you will recall, there was a letter from Mr. Maxime Raymond to Mr. Dunning in reference to the roads, and further correspondence between Mr. Raymond and Mr. Dunning.

Then on October 3rd, 1929, there is a memorandum signed by the Acting Deputy Minister, a communication dated Ottawa, October 3, 1929.

Q. I assume that is when you were having your little battle with the doctors?—A. That Acting Deputy Minister, I presume, must have meant—

Q. "J. W. P."—A. J. W. P. is the Secretary. The only person I can take it to have reference to must be Mr. Yates.

Q. It was not you anyway, that is the point. He signs that?—A. That looks like Mr. Robb's signature.

Q. It is a memorandum to the Department of Railways and Canals, dated October 3, 1929:

In the absence of Mr. Dunning this is to instruct you to advise me before any decisions are made in connection with the roadway maintained by the Department of Railways and Canals along Lake St. Francis and particularly that portion adjacent to the new Beauharnois Canal.

And I see on October 1st, Mr. Yates, as Acting Deputy Minister, acknowledges receipt, and I see here in a memorandum of October 4th, on page 13 of this file, that the total length wanted is 9064·6 lineal feet.

Mr. MONTGOMERY: That is given in the application itself and description. You were bothering about those measurements the other day and they were right in the description. The total length on the east side is 9064·6 and 9073·7 on the west side.

The CHAIRMAN: What is the significance of this evidence.

Mr. WHITE: I am just looking through it, sir, to see whether there is anything here on the file to show any action taken by Mr. Henry in connection with this application.

The CHAIRMAN: As the result of the application that has been made.

Mr. WHITE: Yes, there either is or there is not and in fairness to him we ought to complete the examination of the file. There is a letter dated

November 25th, 1930, signed by a Mr. Henry after he had left the Department, signed by him as Vice-President and General Manager of the Beauharnois Power Corporation.

The CHAIRMAN: In reference to the urgency of having the application dealt with, I presume.

Mr. WHITE: I am afraid to speak about this on account of what Mr. Jacobs said this morning about the St. Louis feeder. This letter is dated November 25th, 1930, addressed to Pierre Piché, Acting Superintending Engineer, Montreal:

In reference to your letter of November 13th may say that the Company some considerable time ago made an application to the Department of Public Works for a revision of its lease taken out on December 28th, 1909, with a view to covering the situation arising out of the diversion of the St. Louis Feeder and the Company is advised that the Department of Public Works will consult with the Department of Railways and Canals with a view to obtaining the necessary approval of such diversion.

There appears nothing, however, in the file, no action to have been taken so far as the file discloses by Mr. Henry in his capacity as Deputy Minister of Railways and Canals.

Then this is the certified copy of the order in council appointing Mr. Henry, which has been supplied to the Clerk, under the signature of Mr. Lemaire, Clerk of the Privy Council. It is dated the 4th of February, 1929:

The committee of the Privy Council, on the recommendation of the Right Honourable the Prime Minister, advise that, pursuant to subsection 1 of section 4 of the Department of Railways and Canals Act, Chapter 171 of the Revised Statutes of Canada, 1927, Mr. Robert Alexander Cecil Henry, B.A., B.Sc., be appointed Deputy Minister of Railways and Canals in the place of the late Major Graham A. Bell, C.M.G., who died on the 13th January, 1929.

By Mr. White:

Q. Then, Mr. Henry, you have told us, I think, that you joined the Beauharnois Company in—A. About the 10th of March, 1930. I think.

Q. And under a ten year contract?—A. Yes, sir.

Q. And with the right to subscribe for 8,000 odd shares?—A. 8,995.

Q. At \$1 each, which you did subscribe for?—A. Yes, sir.

Q. With whom did you have the discussion as to your being employed by the Beauharnois company?—A. Mr. Sweezey.

Q. And when was that discussion?—A. I definitely made up my mind to join the company at Mr. Sweezey's suggestion, or rather at his indication, somewhere in the vicinity of the middle of October, 1929, and I told him then following a discussion which I had had with Mr. Dunning when the two of us were at Churchill following our recuperation from the operations which we had had for appendicitis, he thought he should release me about the 1st of December, and I so advised Mr. Sweezey, and the discussion which we had, Mr. Sweezey and myself, in relation to compensation and terms of engagement, and so on, took place around that date.

Q. And you have since March been with the Company?—A. Yes.

Q. That is March, 1930?—A. Yes.

Q. When did you return to your duties as Deputy Minister after your illness?—A. Oh, around the 1st of October, I should think.

Q. 1929?—A. Yes.

Q. So that Mr. Dunning knew that you had made an arrangement with the Beauharnois Company?—A. Yes, he knew that. And remember that the

arrangement in the first place with me was that my term should not exceed the session.

By Sir Eugène Fiset:

Q. Was it not the fact that Mr. Dunning himself was sick at that time?—A. He became sick some time in May and had an operation for appendicitis and Mr. Robb acted as Minister for a month or so before the session closed.

Q. But the main reason why he insisted so much that you should become Deputy Minister was because he appeared before the special commission on Railways and Shipping and stated that he had a very heavy construction program for the year and he wanted your advice on the subject matter?—A. Well, there were two things that he had in mind, apparently—a fairly large construction program and also the fact that there was a special committee dealing with the financial affairs of the Canadian National Railways and Major Bell had for many years been the only one in the Department of Railways and Canals who had any real knowledge of the financial structure of the National Railways, and the Minister naturally was at a considerable disadvantage in not having someone who had that knowledge. So that it was upon that ground really that he appealed to me to become Deputy Minister during the session which was then impending.

Q. As a matter of fact, did not Mr. Dunning explain to the committee the reason why you were appointed Deputy Minister at the same time retaining your position as Director of the Bureau of Economics, Canadian National Railways?—A. I do not recall whether he did. He might have.

Sir EUGÈNE FISET: I was a member of the committee and those were the reasons given by Mr. Dunning.

By Hon. Mr. Mackenzie:

Q. All the time you were Deputy Minister of Railways were you ever consulted about any feature of the Beauharnois project?—A. Never.

Q. By any member of the government?—A. By no member of the government.

The CHAIRMAN: Mr. Henry made it clear that the members of the government whom he consulted with as to the propriety of acting as Deputy Minister and at the same time taking an interest in the Beauharnois project, assured him that in their view there was no impropriety in the dual position occupied by him.

The WITNESS: That is quite right, and I did not discuss it with anybody else but Mr. Dunning. I discussed that situation with no other member of the government whatever, and Mr. Dunning assured me that he saw no impropriety in my acting, because he could not think of anything in connection with the application that would come up.

By the Chairman:

Q. Then, Mr. Henry, are we fair in assuming that from early in 1928 on up until to-day you have been in rather close communication with Mr. Sweezey and his efforts?—A. I would say that from approximately the 1st of July, 1928, I have been in rather close touch, with this exception that during the period that I was Deputy Minister I felt it impossible for me to say very much even to Mr. Sweezey on the matter. I felt that I had better not know very much about it.

Q. But not in any way relinquishing your hopes with respect to Beauharnois?—A. Oh, no.

Q. And when you were giving evidence here earlier in your enquiry you described your first interview with Mr. Sweezey. Can you recollect what date that would be, what year?—A. Oh, that was in 1928.

Q. And, if my memory serves me correctly, that was an interview where you were trying to draw out Sweezey?—A. Yes, that is right.

Q. And Sweezey was endeavouring to draw you out?—A. Yes.

Q. You were jockeying for position, is that a fair way to put it?—A. I think that is fair. At that time I was wondering whether it was not the appropriate time for me to become active and really put the Sterling Industrial Corporation on a basis—

Q. Where you could demand your rights?—A. Where you could carry it through.

Q. Demand your rights?—A. Demand my rights, or show that I was capable of carrying the project through.

Q. I have heard that period described as the appropriate time when you could put the pry under the other fellow?—A. Well, that may be one way of describing it.

Q. Then with respect to the further consideration that was given you, the 8,000 shares at \$1 a share, that was one of the stipulations in your hiring?—A. That arose out of this situation: In my discussion with Mr. Sweezey I wanted to get a larger salary than he was willing to pay at the beginning and he, I think, put it up that way, that in the construction period it is true that the work is a little more onerous than it will be a little bit later on—

Q. There is usually a paucity of money at that period?—A. But he did not want to have the overhead too high and he agreed in lieu of my demand for this salary to do something for me in the way of stock and he did suggest 10,000 shares. It turned out a little bit later on that the commitments for those shares were such that there were only 8,995 left and they came to me. There were not 10,000.

Q. Whatever there were left you got?—A. But that was a kind of a tacit understanding between us, that I would get 10,000, and I have received under that arrangement 8,995.

Q. During all these negotiations with Sweezey you were still—and properly so—inspired by the idea that you knew more about this thing than anybody else did?—A. I was inspired by that idea, yes.

Q. And you knew that, for what it was worth, you had provided the barrier against anybody else by your application back in 1924 with McDougald?—A. Well, I do not know that I knew, but I thought I might have.

Q. You had a rather comfortable feeling that you were in first?—A. Well—

Mr. WHITE: I wonder if it is a fact, Mr. Chairman, that he was in first.

The WITNESS: I think perhaps, Mr. White, you are right in that regard and probably you refer to an application which was made to the Department of Public Works in 1916 or so by the Robert interests. That is correct in that sense, the Sterling was not in first.

By the Chairman:

Q. But the Robert interest rights were founded or predicated upon, let us put it that way, an alleged vested right that they had claimed for many years?—A. Yes.

Q. But yours was the first application founded on nothing but a desire and a hope, that is correct is it not?—A. That is right.

By Mr. Morin:

Q. Mr. Henry, there were many other applications prior to yours, you know that?—A. Well, I think I knew of most of them, Mr. Morin.

Mr. MORIN: I would refer the committee to page 183 of the Minutes, and there you will find the whole history of those applications.

Q. I find, Mr. Henry, that a few days before the Sterling Corporation filed its application, which is dated on the 7th, July; there was one filed on the 24th of June. This is at page 286. I find that on the 24th of June there was an application filed by the Transportation and Power Corporation a few days before yours?—A. I do not think that I knew anything about that at the time.

Q. You knew nothing about that?—A. No, I don't think I did.

Mr. MORIN: Anyway, the committee will find the whole history, all sorts of applications.

The CHAIRMAN: Did this company, the Transportation and Power Corporation have any vested rights.

Mr. MORIN: They claimed they had vested rights. As a matter of fact they were in litigation with the Beauharnois interests at that time.

The CHAIRMAN: What date is that.

Mr. MONTGOMERY: I do not think so as far back as 1924. I do not think they were in litigation at that time. You may be right but I doubt it. I do not think Sweezey had become interested in Beauharnois in 1924.

Mr. JACOBS: This is an application for a canal from Hungry Bay to Laprairie Basin, using the water at Laprairie Basin at the head of 120 feet.

The CHAIRMAN: At any rate, it is a fair conclusion that those other applications, excepting the one of the Beauharnois Light, Heat & Power Co., and the Sterling Industrial Corporation, have not received any approval of the Governor in Council so far as you know.

The WITNESS: I do not know of any, no.

By Mr. Jacobs:

Q. What became of them, are they still before the Department?—A. I do not really know.

By the Chairman:

Q. Where is Laprairie Basin?—A. Just above Montreal, just above the rapids at the Victoria Bridge.

Mr. WHITE: The point is that it involved the diversion of 110,000 cubic second feet.

The WITNESS: That scheme has been under consideration for a number of years.

By the Chairman:

Q. Who was advancing that?—A. I think there was a report made on that project by a New York engineer by the name of Parsons.

Q. Who was substantially interested in it?—A. I believe the Transportation and Power Corporation.

Q. But they never arrived any place?—A. No.

Mr. WHITE: They had a prior application for the diversion of that much water.

The CHAIRMAN: From Lake St. Francis following generally the route of the present canal.

The WITNESS: Instead of dropping in the St. Lawrence at Lake St. Louis they kept on overland at Laprairie Basin.

By Mr. Lennox:

Q. Is that shown on the map?—A. No, it is not.

By the Chairman:

Q. Would it be fair to suggest, Mr. Henry, that the reason they met with so little success was because they had not the right kind of partners?

By Mr. White:

Q. Or because they asked for 110,000 cu. ft. per second?—A. I do not know that I would like to make any answer to that, Mr. Chairman.

By Mr. Jacobs:

Q. I see that the Sterling Corporation asked at that time to divert an amount of water not exceeding 30,000 cu. ft., that is, at the time it was filed?—A. Yes.

Q. So there is some difference between 110,000 cu. ft. per second asked for by the Transportation and Power Corporation and your application for 30,000 cu. ft. per second?—A. Yes.

Mr. WHITE: I suppose you were going to be paid on the basis of what you asked for and that you would be entitled to more consideration than the other people would.

Mr. LENNOX: I suppose the point we are interested in is that there was a prior application.

Hon. Mr. MACKENZIE: There were several, no question about that.

Mr. WHITE: And the only one that eventuated in any result was that of the Sterling.

By the Chairman:

Q. Has any settlement been made with any of those other prior applicants, does anyone know?—A. That I am unable to answer. Perhaps Mr. Swezey could answer that.

Mr. MONTGOMERY: The only other ones were Beauharnois itself and Transportation & Power, I think.

Mr. LENNOX: Would it not be just as important to get rid of those as it was to get rid of the Sterling application.

Mr. JACOBS: It was a different application altogether. They proposed to go into Laprairie Basin, starting at the same place.

Mr. LENNOX: But if their application were granted there would not be any possibility of granting the Beauharnois application.

Mr. MONTGOMERY: The Transportation and Power were in litigation with Robert. That case went to the Supreme Court.

The CHAIRMAN: Is that the case where the Transportation and Power were setting up that they had an option with Robert and Robert's answer was yes, but it had transpired.

Mr. MONTGOMERY: And they took an action requiring him to turn over the property to them but without any tender of any consideration or anything of the kind.

The CHAIRMAN: Their action was, in effect, one I presume for specific performance.

Mr. MONTGOMERY: Yes, without any tender on their part.

The CHAIRMAN: Well, the Transportation & Power at least had the advantage over the Sterling Industrial in that they had some kind of negotiation with Robert who did have an alleged vested interest.

Mr. MONTGOMERY: Yes, but at that time Robert had cancelled. They were off entirely and were in litigation.

The CHAIRMAN: The litigation between the Transportation & Power and the Roberts was finally determined by the Supreme Court and it was declared that they had no claim upon the Roberts. Then the Transportation & Power was

in the same position as the Sterling Industrial, neither one of them had any claim in fact, and each had an application before the Department.

Mr. MONTGOMERY: Yes. I do not know how those dates check.

The CHAIRMAN: But the present company, or its immediate predecessors for some reason or another did not think it necessary to make any settlement with the Transportation & Power Corporation.

Mr. MONTGOMERY: I think they were in litigation too.

The CHAIRMAN: The Transportation & Power Corporation were in litigation with—

Mr. MONTGOMERY: With Sweezey.

The CHAIRMAN: With Sweezey.

Mr. MONTGOMERY: Yes. They got into litigation, that is, after Sweezey came into the thing.

The CHAIRMAN: That was after the determination of the litigation between themselves and Robert.

Mr. MONTGOMERY: Yes.

The CHAIRMAN: Then they took a shot at Sweezey.

Mr. MONTGOMERY: That is right and that is still pending.

Mr. LENNOX: These applications are very close together. The Transportation & Power Corporation Limited made application on the 24th June, 1924, and the Sterling Industrial was within two weeks after that, July 7th, 1924. One followed the other very closely.

Mr. MONTGOMERY: Apparently.

The CHAIRMAN: Mr. Montgomery, I do not want to ask you to commit yourself, but am I not fair in the assumption, if you take the Transportation & Power Corporation and the Sterling Industrial Corporation Limited, their application for rights there were made for the purpose of having something on record in order that if a serious development took place they would be in a position to do some trading.

Mr. MONTGOMERY: Well, I am not in a position at all to answer that, Mr. Chairman. I do not know a thing about either of the applications.

The CHAIRMAN: Mr. Henry makes it clear as far as the Sterling Corporation was concerned, and I thought perhaps you might be sufficiently well acquainted with the Transportation & Power to answer the question.

Mr. LENNOX: Could not we get a copy of the application made by the Transportation & Power Corporation.

Mr. MONTGOMERY: There is a summary of it in the record.

Mr. LENNOX: Who were behind it? I would like to know the personnel of that company.

Mr. JACOBS: Perhaps Mr. Montgomery could tell us who were at the back of that company.

Mr. MONTGOMERY: The Cantins, Ecremont, and Harris.

Mr. WHITE: The date is June 24th, 1924.

Mr. FORSYTHE: That is File 804-1A, Mr. White.

Mr. WHITE: We do not appear to have that here, but I suppose the committee accepts Mr. Montgomery's statement as to the personnel.

Hon. Mr. MACKENZIE: It is well known.

Mr. JACOBS: That is the company that is now fighting bankruptcy proceedings.

Mr. LENNOX: I think we should have the application.

Mr. FORSYTHE: If you will look at page 285, you have Beauharnois Light Heat and Power Company, File 804-1A.

Mr. WHITE: Well, we will have to get the file. I cannot imagine why it is not here.

By Mr. White:

Q. Now, Mr. Henry, as you have told us you are still with the Beauharnois Company. Did you know of the application for the transfer of 13,072 cubic second feet from the Montreal Cotton Company?—A. That came up in October, 1926.

Q. October 1926?—A. October 1929.

Q. Yes.—A. I knew of that application.

Q. And did you have anything to do with it?—A. Well, I discussed it with the Minister, that is, Mr. Dunning, and pointed out to him the position I was in with respect to it and told him that I could not advise him about it, and the application was referred to the proper officers of the Department.

By the Chairman:

Q. What was the fate of the application, did it receive approval?—A. It did.

Mr. WHITE: That is how the right is claimed to 53,072 cubic feet.

The CHAIRMAN: That is a degree of detachment on behalf of Mr. Henry that is almost inconceivable.

Mr. JACOBS: His position was not without some difficulty.

The CHAIRMAN: I can quite see that it was bristling with difficulty.

The WITNESS: Well, I might say, Mr. Chairman, that I found myself in similar positions as between the Canadian National and the Canadian Pacific and the Canadian Pacific were willing to accept me as their representative on matters in which they were concerned, and I was an officer in the Canadian National Railways.

By Mr. Jacobs:

Q. Yes, at the time you were Deputy Minister of Railways you were also an official of the Canadian National Railways?—A. Yes, sir.

The CHAIRMAN: Mr. Henry says that when working for the Canadian National Railways he was accepted, I presume, as an arbitrator by the C.P.R. when they came in conflict with the Canadian National.

Mr. JACOBS: Yes.

The CHAIRMAN: Well, it is a great tribute to you, Mr. Henry.

The WITNESS: It was a difficult position.

The CHAIRMAN: Of course, a conflict between the two roads is a little different to this because you had no personal interest, no personal material interest in the subject matters at stake.

The WITNESS: Yes, quite.

The CHAIRMAN: In this you had an unquestionable interest, not only from a material standpoint but, I imagine, by reason of your interest from a scientific point of view which might be more appealing even than the material.

The WITNESS: Well, I will admit, Mr. Chairman, that the situation was an awkward one.

By Mr. Jacobs:

Q. You made your position quite clear to Mr. Dunning?—A. I made my position clear to the Minister. That was all I need do.

By Mr. White:

Q. Did you disclose to Mr. Dunning that you were associated with Senator McDougald?—A. I do not know that I disclosed that particularly. I think I told him that I was interested in the Beauharnois project.

Q. Now, that answer is not quite like the others, Mr. Henry. It is not as frank as some of the others.

The CHAIRMAN: In Mr. Henry's evidence this morning I think he made it clear that Mr. Dunning did know.

The WITNESS: Well, I imagine he did. I do not know that I discussed it with him particularly.

The CHAIRMAN: I would rather think that with the inquiring mind that Mr. Dunning has he would scarcely let that go by, realizing the difficulty of your position, without making at least some casual enquiries.

The WITNESS: Well, at any rate, it was a difficult position, Mr. Chairman.

Mr. JACOBS: Mr. Henry has said that he was practically forced into that position as Deputy Minister of Railways and Canals at that time.

The WITNESS: I would not have been there at the time this came up had it not been for the fact that the Minister of Railways had been incapacitated for practically the whole summer and I was incapacitated myself.

By Mr. White:

Q. Then coming now, Mr. Henry, to your position. You are quite a substantial shareholder in the company. You own, 8,995 shares?—A. I own 8,995 shares, and I think I have bought some odd blocks since then. In addition to that I am entitled to but have not yet received, I mean had transferred to me the equivalent of 1,000 part-interests which would be 40,000 shares.

Q. 40,000 and 8,000, roughly about 50,000 shares?—A. Somewhere in that vicinity.

By Mr. Gardiner:

Q. Did you get paid the cash bonus which you received with the thousand part-interests that you own?—A. I have not received the whole of that yet. I have only received a part of it.

By Mr. White:

Q. And the part that you did receive, from whom did you receive it?—A. I received it from Senator McDougald.

Q. And that would be part of \$150,000?—A. Right.

By the Chairman:

Q. How much was the total cost, that is, the 2,000 part-interests?—A. \$300,000.

Q. Has McDougald got it all?—A. All the \$300,000.

Q. Did he receive the whole \$300,000?—A. I imagine so.

Q. What is he doing, holding out on you?—A. Oh, no.

Q. You think you can get it on demand at any time?—A. Oh, I think so.

By Mr. Gardiner:

Q. Can you tell the committee, Mr. Henry, how much of that you have received?—A. I would be glad to. I will have to check it up. I will be glad to give you that on Monday, if you would like to know.

By Mr. White:

Q. Then in addition to that, of course, you are in receipt of your salary?—A. Yes.

Q. And I see by some of the records a very considerable expense account?
—A. A very considerable expense account? Are you referring to any particular one.

Q. I remember one item of \$8,000 odd?—A. \$9,000.

Q. Yes?—A. Oh, well, I can very easily explain that.

Q. I do not need any particular explanation. I am not suggesting there was anything wrong about it. I am merely mentioning the fact?—A. I will be very glad to answer that if there is any question about it.

Mr. JACOBS: It is a matter between Mr. Henry and the company. We are not interested in that.

The WITNESS: I may say that I put in regular expense accounts.

The CHAIRMAN: You are probably out-of-pocket.

The WITNESS: I am, yes. I will be very glad to answer that question if you want me to.

Mr. JACOBS: I think not.

By Mr. White:

Q. Then at the present time Senator McDougald is the President of the Board?—A. He is.

Q. The works are progressing advantageously, I understand?—A. They are.

Q. And well within the estimates which were made as to the cost?—A. Well within the estimates which were made as to cost, yes.

Q. As an example, I understand that the estimate for earth excavation was 33 cents and that you are doing it for something like 15 cents?—A. I do not recall the precise figure. I think it was 33 cents, but at any rate we are doing it now for under 15 cents. I will have to qualify that. That is excavation which falls in the category of material which can be handled by the hydraulic process. The boulder clay is costing about 27 cents.

Q. And then have you made an estimate of what the total expenditure will be on the works? I am not talking about the million that went to the Sterling people, or whatever it was, or some of these other things, but have you made an estimate of what the actual cost of the works will be to produce 500,000 horsepower?—A. Yes, sir.

Q. And what do you estimate that to be?

While Mr. Henry is looking that up, I have now the file 804-1A Exhibit 17. The letter is addressed to the Hon. J. H. King, Minister of Public Works dated July 24, 1924, and it says:

On the 28th day of December, 1909, an Indenture was made between His Majesty the King represented by the Hon. William Pugsley, Minister of Public Works of Canada, and Sarah Robert, widow of the late Joseph Bartholomew Robert, William Henry Robert, of the town of Beauharnois, in the province of Quebec; and Joseph Alfred Robert of the city of Ottawa, in the province of Ontario, and Sarah Mary Robert, spinster, of the town of Beauharnois, all legal heirs of the said late Bartholomew Robert, by which the Minister recognizes that the said Roberts are entitled to a supply of water from Lake St. Francis and the River St. Lawrence into and through a certain feeder or canal in Catharines town in the seigniory and district of Beauharnois.

On the 4th of November, 1921, the said Robert did agree to sell, assign and transfer unto The Great Lakes and Atlantic Canal and Power Company, Limited, all their rights, title and interests to the said

Indenture and also their rights, title, interests and shares in the Beauharnois Light, Heat and Power Company, incorporated by Act of the Legislature of Quebec, for the purposes of acquiring the water-power, property, business, franchises and contracts then owned or operated by Joseph Barthelemi Robert, author of the said Robert, and that, in fact, a sale of the said water-power, property, business franchises and contract was made to the said Company by the said Robert, on the 26th March, 1910.

On the 29th of August, 1922, the Great Lakes and Atlantic Canal and Power Company Limited sold, assigned and transferred unto the Transportation and Power Corporation Limited all its assets, including the Indenture abovementioned.

The Transportation and Power Corporation Limited contemplates to undertake the development of a water-power by building a canal from Lake St. Francis to Laprairie Basin, in the province of Quebec.

It is stipulated in the abovementioned Indenture that should the said Robert or their assignees desire or require a greater supply of water, they shall have the right to widen and deepen the feeder provided that such changes do not interfere with navigation, but before such work shall be undertaken the said Robert or their assignees shall deposit plans, sufficient to show the work they desire to have done, with the Minister of Public Works.

The Transportation & Power Corporation Ltd. have had a general plan prepared by Paul Seurot, P.E.Q., that they believe sufficient to show the work they desire to have done, and which plan they are now depositing with the Minister of Public Works for approval.

As the plan shows, the work the Company contemplates to undertake is the development of a water-power by building a canal from Hungry Bay, Lake St. Francis, to Laprairie Basin, below Lake St. Louis, St. Lawrence River, using the water at Laprairie Basin under a head of 120 feet, the utmost efficiency head practically possible for the use of said waters.

To effect the said water-power development, it is essential that the Company should divert 110,000 cubic feet per second from Hungry Bay on Lake St. Francis to Laprairie Basin below St. Louis, St. Lawrence River.

The diversion of water between Hungry Bay and Laprairie Basin is not to interfere with navigation in any way, nor affect the level of Lake St. Francis nor that of Lake St. Louis, as the Company will provide and construct the necessary remedial works as approved by the government for the protection of navigation and also to maintain the water levels of the above named Lakes.

The Company also agrees to provide through their canal sufficient navigation accommodation between Laprairie Basin and Lake St. Francis as will satisfy the Government's requirements.

The project herewith submitted, has been studied from all angles by very eminent engineers, and our Company is in a measure able to demonstrate that the location for the aforesaid contemplated water-power development, under an efficiency head of 120 feet, is nowhere to be duplicated, and that no other development or series of development using said waters can be found capable of producing electric energy at anything near the same economical efficiency, therefore the Company should have the exclusive privilege to use all the water available until the possible maximum production is reached.

After you have had the opportunity of getting further information from the report of your Engineers we would request the privilege of further discussing this proposition.

THE TRANSPORTATION AND POWER CORPORATION LIMITED

Per ADOLPHE BAZIN,
President.

Mr. MONTGOMERY: You will observe that at that time their application was based upon their alleged transfer from Robert which was then in litigation before the Courts.

The CHAIRMAN: That is the point I was discussing a moment ago.

Mr. WHITE: The same kind of basis as the ultimate application of the Beauharnois company.

The CHAIRMAN: No, hardly, Mr. White.

Mr. WHITE: The same kind.

The CHAIRMAN: The same kind, yes.

Mr. WHITE: That is founded on some transfer or alleged transfer from the Roberts.

The CHAIRMAN: But the Beauharnois application was founded upon the Robert rights. This one was founded upon the alleged rights of Roberts which, in fact, after going through the courts was found to be non-existent, and after this application of the Transportation and Power Corporation had gone through the courts and it was disclosed that they had no rights founded on the Robert rights, it placed this application so far as real rights were concerned in the same category as the Sterling Industrial Corporation.

Mr. WHITE: Founded on no rights.

The CHAIRMAN: On no rights.

Mr. JACOBS: If I remember, the witness stated that the Sterling application was held up because the department was waiting for a certain report from the Joint International Board.

Mr. WHITE: I do not think that is quite correct, sir. My recollection of it is that Mr. Henry realized that because of the appointment of that Board it was useless to press the application and it remained in abeyance, whereas one of the other applications,—you will remember the letter of Mr. Carvell in which he pointed out in respect of that particular application, which was a Robert application, that because of that it could not be dealt with until after the—

Mr. JACOBS: Yes, but Mr. White, I am trying to draw the distinction between that application and the application of the Transmission Company. They turned it down completely because of the fact that they were getting at a head which was 120 feet, I think, and they were asking for 110 c.f.s. whereas this company was merely asking for 40,000 c.f.s.

The WITNESS: 30,000.

Mr. WHITE: Let us see what the file says about it. That letter that I just read, that application of June 24th, was acknowledged by Dr. King on the 26th of June in a letter to Adolphe Bazin in which he says:—

I beg to acknowledge receipt of your favour of the 24th inst., with plans filed in behalf of the Transportation and Power Corporation, Ltd., for the development of water power by building a dam from Lake St. Francis to Laprairie Basin in the province of Quebec, which will be carefully investigated by the department as soon as possible.

Mr. JACOBS: From Lake St. Louis to Laprairie Basin?

Mr. WHITE: From Lake St. Francis to Laprairie Basin. And there is a notation there: "report requested, J.M.C."

The WITNESS: J. M. Cameron, that would probably be.

Mr. WHITE: Then there is a letter from Mr. Cameron, Chief Engineer, to J. L. Dansereau, District Engineer, under date June 28th, 1924:—

I am enclosing herewith copy of a letter dated 24th inst., from the President of the Transportation & Power Corporation, Ltd., Montreal, P.Q., concerning development of water power by building a dam from Lake St. Francis to Laprairie Basin in the province of Quebec, and it is desired that you submit a report on this matter.

Then on August 26th, Mr. Cameron writes Mr. Dansereau, District Engineer, Montreal, asking when he may expect the report. Then Mr. Dansereau makes his report on September 4th, and this is the report:—

I acknowledge receipt of your letters of the 28 of June last and the 26 of August last, in regard to the application of the Transportation and Power Corporation Limited, Montreal, for development of water power by building a dam from Lake St. Francis to Laprairie Basin.

I beg to report that the plan submitted by the company is absolutely inadequate to report on the proposed work. The company claims that the project has been studied from all angles by very eminent engineers. I have requested the company to forward as soon as possible the working plans and the studies of these engineers.

With the present plan we have only the application of the company asking the authorization to divert 110,000 cubic feet of water per second from Lake St. Francis into Laprairie Basin. The company states that in doing this diversion they would not affect the level of Lake St. Francis or Lake St. Louis and that they would not affect any other interest. But there is no plan accompanying their application by which they endeavour to prove these statements.

The question as put up to the Department by this present application is whether or not a diversion of 110,000 cubic feet per second from Lake St. Francis can be allowed or not.

The answer seems obvious that no such application can be granted before the applicant company shows how they are going to make this diversion without interfering with navigation or vested interest.

The CHAIRMAN: Mr. White, I should like to ask Mr. Henry, after you filed your application of the Sterling Industrial Corporation, did any engineers of the Department of Public Works make an investigation and report, based upon your application and plan?—A. No. If I recollect correctly, the application to the Department of Public Works was turned back with the observation that they did not see that the company had any lease or was the owner of any property upon which they intended to build works, and therefore could not be considered under the Navigable Waters Protection Act, but the application made by the Sterling Company was based upon a different set of conditions; that is, the one that has just been read, which was based upon the knowledge that the Wooten Bowden engineers' report made. It recommended that route for a navigation canal, and the idea behind it was that it should be enlarged to the extent necessary to permit of a diversion of 30,000 c.f.s. That was the idea.

Q. So that I am right in assuming then, when you procured the application to be made of the Sterling Industrial Corporation, and filed the plan of the company you got your information from the Wooten-Bowden report?—A. The basis of it, but it had to be analyzed from a standpoint of a possible enlargement for navigation, for power purposes.

Q. Let me put it this way: when you made your application, you had the benefit of that report?—A. Oh, yes.

Q. And the transportation and power company had not?—A. Well, if they had not, it must have been their own fault, because application was made just a few days before; they ought to have known it.

Mr. LENNOX: When you made your application on the 7th July, were you aware that the Transportation and Power corporation had a few days— —A. No, I had no knowledge of it, then. As a matter of fact, later through my obtaining a copy of a report which I think was made by a consulting engineer in New York named Parsons—my memory may be wrong there—but I did see a report upon this scheme, I imagine it is the same scheme that is referred to here.

By the Chairman:

Q. At any rate, there were no engineers representing the government visited this location and made an investigation into your application?—A. No, not that I know of.

Q. So we are inevitably driven to the conclusion that the major strength of your application, of your position, was by reason of your partner?—A. Well, I don't know that that entered my mind at the start at all, if that is what you have in mind, Mr. Chairman. I knew nothing whatever about Senator McDougald when I went to him at the start, except I had met him as chairman of the Harbour Commission. I did not know anything more about him than that.

Q. You just gravitated towards him?—A. Well, no. I think perhaps I can illustrate just what happened there. I got into a dispute on behalf of the National Railways with the Harbour Commission.

Q. That is what you were telling us about this morning?—A. No. And I happened to be able to present the facts of the case I was representing in a very favourable fashion, and Dr. McDougald complimented me on it. Not so very long after that he asked me if I ever ran into or thought of any development that I wanted any backing in, he would be glad to back me, and that was really how it started.

Mr. WHITE: He was backing the right horse.

Then, on September 5th, 1924, page 271 of this file, Mr. Cameron suggested that the Department write the Transportation and Power Corporation along the lines of the engineers' report, asking for the information as to how the levels of the lakes were to be preserved.

On the 11th September, 1924, the Beauharnois Light, Heat and Power Company, per W. H. Robert, president, wrote the Hon. Mr. King protesting against the application. The words are—

Mr. MACKENZIE: What does it say?

Mr. WHITE: I will have to read it:

The estate of the late Mr. Joseph Bartholomew Robert has just been informed that the Transportation and Power Corporation Limited is applying to you for permission to divert 110,000 cubic feet of the waters of Lake St. Francis, for the purpose of developing a water-power.

This application of the Transportation and Power Corporation Limited is based on the indenture of the 28th of December, 1909, between His Majesty the King and the estate of the late Joseph B. Robert. The Transportation and Power Corporation Limited contends that it has acquired from the estate of the late Joseph B. Robert all its rights under the above-mentioned indenture.

As one of the heirs of the late Mr. Joseph B. Robert and representing all the others and duly authorized by them, I beg to protest against the above-mentioned application. The pretended sale by the estate of the Great Lakes and Atlantic Canal Power Company Limited has never been consummated and the estate still owns all the rights conferred to it

by the indenture with His Majesty the King dated the 26th December, 1909, and the estate is the only party entitled to the benefit of the said indenture.

The estate is prepared to support its opposition if so required and in the meantime strongly protests against the application made by the Transportation and Power Corporation Limited.

And, then there are some notations on the letter.

Then, on the 16th September, Mr. O'Brien, as secretary to the Public Works Department acknowledges the receipt and says that the protest is noted. On the 17th of September, 1924, Mr. Cameron writes Mr. Dansereau, enclosing a copy of Mr. Robert's protest, and that also is sent or transferred to the Minister.

Then there is a memorandum, I think you would call it, from the Council of the City of Salaberry de Valleyfield, dated the 8th October, 1924, sent by the private secretary to Mr. Robb, sent by Mr. Robb to Mr. King, and that sets out a great many of the advantages of the canal in some location.

On February 2nd, 1926, Mr. Cameron sends to Mr. Dansereau, Mr. Holgate's report of May 31st, 1915. Then, there is an article here from the Montreal Gazette entitled "A dangerous flirtation", a warning to the committee; that is all.

The CHAIRMAN: I do not think that would be of any help.

Mr. JACOBS: At that time the Montreal Light, Heat and Power Company had not obtained a substantial interest in the Beauharnois company.

Mr. WHITE: Then there is the letter to Mr. Morris the clerk of the Private Bills Committee, which is as follows:

A notice appears in the press that the Great Lakes and Atlantic Canal and Power Co. Limited are to make application to the parliament of Canada at its present session for an Act to build a canal from a point on Lake St. Francis to a point on Lake St. Louis, etc.

The advertisement is dated January 24th and is signed by J. W. Harris, Secretary of the company.

Would you let me know if the company has presented its bill and if you would arrange that we would receive copies of the bill as, if it comes up before the Private Bills Committee, we would desire to be present to hear what is said and possibly make representations.

The letter is signed by J. B. Hunter, deputy minister of Public Works.

Mr. Morris, the clerk of the Private Bills Committee, acknowledges receipt of the letter and says the bill will be printed, and as soon as they are available, he will send Mr. Hunter a copy. The bill is No. 255, as shown in the 16th parliament, 1926-27. It got its first reading March 31, 1927. That is the end of the file, so far as I can see.

The WITNESS: That figure, Mr. White, is \$63,365,000. That is, excluding reference to the syndicate operations prior to the Beauharnois Power Corporation taking them over.

By Mr. White:

Q. And of that \$63,000,000 of actual cost, it is going to take \$80,000,000 of bonds?—A. Well, \$80,000,000, I don't know that I would—

Mr. JACOBS: How do you make that up?

Mr. WHITE: Mr. Griffith tells us they propose to issue fifty millions more than they have already issued.

Mr. JACOBS: Retire—

The WITNESS: That is a limitation.

Mr. FORSYTHE: Not exceeding fifty millions.

Mr. WHITE: I was asking Mr. Henry if it was estimated that in order to pay that amount of money sixty-five million odd, is it?—A. \$63,000,000.

Mr. WHITE: It will take eighty millions of bonds.

The WITNESS: Oh, it should not take eighty millions of bonds.

Q. How much?—A. Of course—

Q. Can you give it?—A. I should think a discount of ten would be about right, not more than 10.

Q. Ten what?—A. Ten points.

Mr. JACOBS: Selling at ninety.

Mr. WHITE: I am not referring to the discount.

Mr. JACOBS: That is what they will get for the bonds.

The CHAIRMAN: I think you are missing the point of Mr. White's question. His question is this: this project, so far as the estimated cost by the company is concerned, exclusive of work done by the syndicate, is \$63,600,000.—A. That is the net money that has to go into the project.

Q. Can you estimate what the syndicate spent?—A. Well—

Q. An estimate.—A. Well, the amount included in the estimate as having been spent by the syndicate, and that figure comes from Mr. Griffith, is \$5,300,000.

Q. That would make a total of \$69,000,000.—A. Practically.

Q. Mr. White's point, as I gather it, is this: you will actually spend in bringing this project to a conclusion, \$69,000,000.—A. Right.

Q. But the company will have to shoulder the charge of eighty millions of bonds; is that the point?—A. We will only have to show that that discharge of eighty millions providing—

Q. Providing the whole fifty is issued?—A. Yes; and it will only be issued if the trend of the market is so bad that the discount of securities cannot be sold for somewhere in the vicinity of ninety.

By Mr. White:

Q. Taking it at ninety?—A. If you take it at ninety—

Q. What I want to get at is this: if you listen to me just for a moment, you would understand what I am at. You as general manager of this company will ultimately have to make a requisition to your directors for money enough to complete the project?—A. I will.

Q. And they will have to raise the money by the issue of bonds as contemplated, I mean to say, as far as the present intention is concerned?—A. Yes.

Q. Now, how much—at ninety, how much of the bonds are you going to have to ask them for?—A. On the basis of this estimate I will have to ask them for about 76 millions instead of 80.

Q. Seventy-six of bonds?—A. Seventy-six of bonds.

Q. Which you contemplate will be sold at ninety?—A. Of which 30 have already been issued.

By the Chairman:

Q. Which leaves approximately \$7,000,000 upon which interest will have to be paid, and the principal retired some time?—A. Right.

Q. For which services may have been rendered, but which has not got anything to do with the actual construction of the works?—A. That is right.

Q. For some of which no services were rendered?

Mr. JACOBS: What is that?

Mr. MACKENZIE: There is an inference there.

Mr. WHITE: Unless you can say removing an obstruction was a service.

Mr. JACOBS: Sometimes an obstruction is a service.

Mr. WHITE: Well, I do not want that kind of a service in my path.

Mr. MACKENZIE: His Majesty's loyal opposition, for instance.

Mr. WHITE: That is not an obstruction, surely. It was, when the Conservatives were not in power.

Q. Then, take 76 millions at six per cent—?—A. Well, I would not anticipate that that would be seventy-six millions at six per cent.

Q. Why not?—A. Well, because the balance of the security there, I would expect the interest rates would be lower than six per cent, certainly not in excess of five and a half per cent.

Q. Take thirty millions at six per cent?—A. That is \$1,800,000 a year.

Q. A year, and then forty-six millions—?—A. At five and a half per cent, it is \$2,530,000, and if you add the two together, it is \$4,330,000 a year.

Q. That would be your annual fixed interest charge?—A. Yes.

Q. And 500,000 horse-power at, say, \$3 a horse-power, profit—?—A. \$3 profit?

Q. Would amount to what?—A. \$3 profit would amount to \$1,500,000.

Mr. MONTGOMERY: The earnings are all set out in the capitalization sheet.

Mr. WHITE: The estimated earnings.

Mr. MONTGOMERY: The estimated earnings are set out in the capitalization—

Mr. WHITE: I am asking Mr. Henry, not somebody else.

Mr. MONTGOMERY: He did not give you an estimate of \$3.

Mr. WHITE: I know he did not; that is only a mathematical calculation.

Mr. MONTGOMERY: I see. So long as it is understood you are putting the hypothetical suggestion yourself, all right.

Mr. WHITE: Am I not to have the liberty of doing that?

Mr. MONTGOMERY: I will not protest so long as it is understood there is no \$3 in the evidence.

Mr. WHITE: I think everybody understood that, and I am sure you did.

Q. Have you any calculation as to what your annual cost will be in addition to the fixed interest charges?—A. Well, I have not got it in mind; if you would like a statement of that I will be glad to produce it on Monday, but I cannot carry it in my mind.

Mr. JACOBS: Cost of operation?

Mr. WHITE: Operation including wages, maintenance, repairs, depreciation, and all the things that go into a proper annual operating cost?—A. Yes, we have the complete figures as to that, yes, we had made a complete statement as to that.

Q. If Mr. Henry is to produce that on Monday, I think perhaps I do not need to ask him anything further to-day, because anything further I would have to ask him would be based upon that figure. I do not know whether my friend Mr. Morin desires to ask Mr. Henry anything or not.

Mr. MORIN: I have only one reference to make. I should like to bring to the attention of the committee the following facts to complete the history of the dealings of Senator McDougald with this project. I have in my hand the proceedings of the special Senate Committee of the Senate of Canada on the development and improvement of the St. Lawrence river of the year 1928. I find at page 12, that on May 7, 1924, the National Advisory Committee for Canada was appointed, and the Hon. Wilfrid Laurier McDougald, Montreal, was a member of this advisory committee.

Mr. JACOBS: 1924?

Mr. MORIN: 1924.

Mr. JACOBS: Mr. McDougald was made an honourable in 1926. We have evidence here that he was appointed in October, 1926.

Mr. MORIN: He is referred to here as honourable.

The CHAIRMAN: He probably became honourable by statute in 1926.

Mr. JACOBS: That is an important fact.

Mr. MORIN: This committee made a report on the 11th January, 1928, and I have the report in my hand. There is a majority report and a minority report. I shall file this as an exhibit, because it might be interesting. The report is on page 18 of exhibit 77, and here is the report signed by the members including Senator McDougald.

They say,

We believe that the first concern of this committee should be, and of the government will be, the national aspects of the proposed undertaking, and regard it as most desirable that the initial development take place in the purely domestic section of the river, lying within the province of Quebec. We believe that if a reasonable time were permitted in which to enable the resultant power to be economically absorbed, the development of this national section would be undertaken by private agencies able and willing to finance the entire works, including the necessary canalization, in return for the right to develop the power.

The chairman was W. E. Foster.

Mr. JACOBS: Who are the other members?—A. The other members of the committee were: Thomas Ahearn, Ottawa, Hon. W. E. Foster, Beaudry Leman, Adelard Turgeon.

Mr. MACKENZIE: The advisory committee.

Mr. MORIN: National Advisory Board.

Mr. JACOBS: Appointed by the Senate.

Mr. MORIN: Appointed by order in council. And they report in 1928. Then, there is a minority report signed by Beaudry Leman and Adelard Turgeon, and they say,

It would appear advisable to follow in their general outline the plans submitted by the Joint Board of Engineers, subject to such changes as further investigations may render desirable—

Then, on page 27, they say,

It would appear of great importance that the Crown retain permanently its proprietary rights in all the improvements connected with this vast undertaking and pertaining to both navigation and power development. It is not difficult to visualize the immense value to Canada of retaining the control and disposal of such a large amount of hydro electric energy admirably situated and which may be advantageously developed. In respect of an undertaking of this magnitude, which may insure the prosperity of many generations of Canadian citizens, the permanent ownership of this great Canadian heritage should not be surrendered to private interests but the operation of the power works developed by such a project could be leased or formed out, under conditions to be studied and determined.

In the opinion of the undersigned, the project is feasible and practicable and may be proceeded with when the important economic and financial questions involved in such an undertaking, a few of which are outlined in the preceding paragraphs, have been satisfactorily dealt with.

This report is signed by Mr. Beaudry Leman, who is now president of the Banque Canadienne Nationale, and Mr. Adelard Turgeon, president of the Legislative Council of Quebec, but they were in the minority in their conclusions.

Now, Hon. Dr. McDougald called Mr. Henry as a witness before the Senate committee in 1928. He had previously arranged for the evidence of Mr. Henry before the Senate committee, and you will find this in the blue book. Do you think I should file it?

The CHAIRMAN: I think we should all have a copy of the proceedings before this committee. This is very interesting.

Mr. STARR: Did you say that Hon. Mr. McDougald called Mr. Henry?

Mr. MORIN: Yes; and said that he had arranged some questions to be submitted to Mr. Henry. I will quote Mr. McDougald. At page 215—

Before we start Mr. Henry's evidence, I would just like to say a word. During the investigations made by the National Advisory Board, I was able, by the courtesy of Sir Henry Thornton, to go to Mr. Henry at all times, and he was in a position to give some very valuable information and supply very valuable data in regard to transportation, not only in connection with railways, but in connection with the waterways; and I can say here that the information I obtained from him was of great assistance to myself and other members of the National Committee in arriving at some of the conclusions which we reached. Having that in mind, I think that perhaps you might allow me, as on that occasion when we had the men from the harbour of Montreal here, to prepare some questions. Yesterday I prepared some questions, and submitted them to Mr. Henry last night, having in mind what you said yourself, Mr. Chairman, so that he might be familiar with them, and so that we might cover the ground quickly.

So, many questions were submitted to Mr. Henry, and the last one is found on page 232.

Mr. STEWART: What is the date of the proceedings?

Mr. MORIN: The proceedings are dated June, 1928, and the report is dated June 6th, 1928.

Hon. Mr. McDUGALD: The last question that I have, Mr. Henry is: in your opinion should the improvement of the St. Lawrence waterway be gone on with as soon as possible, and, if so, why?

Mr. HENRY: Well, as I stated this morning, the capacity of the existing canals being within measurable distance of being reached, and inasmuch as any improvement undertaken would involve several years before it could be in operation—

Right Hon. Mr. GRAHAM: You mean by "improvement" the development?

Mr. HENRY: Yes.

Right Hon. Mr. GRAHAM: The waterways scheme?

Mr. HENRY: The waterway development. The full effect of the waterway in a reduction in rates, on account of its having reached its capacity, will not obtain. Some relief will have to be provided.

Right Hon. Mr. GRAHAM: In the meantime?

Mr. HENRY: I mean, it would have to be started right away.

Right Hon. Mr. GRAHAM: If the waterway development scheme is approved and goes on, in the time that will elapse between now and the date when that will become available, we shall have to make certain improvements on our own canals to take care of the increase in the traffic.

Mr. HENRY: It might be desirable to do that, Mr. Graham."

Mr. WHITE: Is Mr. Henry asked anything there as to whether he advises that it should be done by private enterprise or not?

Mr. MORIN: No, I do not think Mr. Henry touched that point.

By Mr. Jacobs:

Q. Are you still of the same opinion as you were when you gave your testimony before that committee?—A. In view of the fact that Russia has emerged from the state of chaos which obtained at that time, I am not so sure that the traffic which I referred to in that evidence is going to materialize to the extent I thought; but I still think there is reasonable merit in giving Canada the benefit of transportation by water; whether this is the time to do it or not is another question.

Q. The Canadian and American governments seem to think so.—A. I did believe the trend of traffic was so affected by that advantage that in a measurably short time the capacity of the canals as they then existed would be reached before the work could be completed.

The CHAIRMAN: This committee, Mr. Henry, whose report Mr. Morin has been reading, amongst other things was dealing with the respective merits of public and private ownership, as I take it.—A. Well yes, it was.

Mr. JACOB: Is that a fact?

Mr. FORSYTHE: I do not think the Senate committee was.

The WITNESS: I do not know whether that is right or not.

The CHAIRMAN: The minority report makes that clear.

Mr. FORSYTHE: That is a different committee. That is a report of the National Advisory committee, and the proceedings from which Mr. Morin was reading are from the Senate committee.

Mr. MACKENZIE: What was the subject the committee was investigating? What were the terms of the reference to that committee?

Mr. Morin:

That a special committee of the Senate be appointed to inquire into and report from time to time on the matter of the development and improvement of the St. Lawrence river for the purposes of navigation and production of electric current and power and matters incidental to such objects, and that the committee be empowered to send for persons, papers and records, to examine witnesses under oath if deemed necessary, and to employ stenographers and other clerical help subject to approval of the Senate in regard to expenditures; and that the committee be composed of the Hon. Messieurs Beaubien, Beique, Black, Buchanan, Casgrain, Copp, Farrell, Gillis, Graham, Hardy, L'Esperance, Lynch-Staunton, McLennan, McDougald, McMeans, Molloy, Murphy, Pope, Reid, Robertson, Ross (Moose Jaw), Sharpe, Smith, Tanner and Willoughby.

Mr. MACKENZIE: Did they make a report?

Mr. MORIN: Yes, they made a general report.

The special committee appointed to inquire into and report from time to time, on the matter of the development and improvement of the St. Lawrence river, beg leave to make their third report as follows:

It was considered advisable by the committee to confine its investigations to obtaining information bearing on this project from every angle, in order to enable those interested in this important matter to arrive at a sound opinion, based on facts presented to the Committee by experts.

The evidence of the witnesses examined, with the memoranda they submitted, your committee believes brings together a fund of information which should be of the greatest value. This also may be said of the evidence before your committee in regard to international engagements respecting the navigation of the St. Lawrence.

Your committee submit herewith the evidence, documents, and other matters produced at hearings, and recommend that, as time did not permit the committee to hear all the witnesses whose evidence would be of public service, and, as new aspects of the problem studied may in the interval develop, that the Senate, at the beginning of the next session of parliament, should consider the advisability of again appointing a special committee to continue this inquiry.

Mr. MACKENZIE: Was that done? Was the committee continued during the next session or sessions?

Mr. MORIN: No, I do not think so.

Mr. STARR: What happened?

Mr. LENNOX: Before what committee did Mr. Henry give his evidence?

Mr. MORIN: Before the Senate.

Mr. JACOBS: There was no report made?

Mr. MORIN: Mr. McLachlan's evidence covers nearly half the book.

Mr. STEWART: Did that committee bring in any findings?

Mr. STARR: No. They adjourned to the following year.

Mr. MACKENZIE: Gathered the evidence and adjourned until the next session.

By Mr. Montgomery:

Q. In your evidence, Mr. Henry, you refer to the development of the Economic flow of the river. I should like to know what you mean by that. I am looking for the reference?—A. If reference is made to page 227 of the report of the Joint Board of Engineers, appendix B, plate No. 2, there is a curve which is entitled—

By Mr. White:

Q. What page?—A. 227, appendix B, plate 2, the regulation of the Great Lakes discharge, the variation curve of the various schemes of regulations. From these curves it will be seen that the flow of water from Lake Ontario through this section of the river varies, approximately, 180,000 c.f.s. to 340, and the report suggests various schemes of regulation which would affect that flow. Now, it is a question, it would naturally be a question on the mind of anybody starting to develop the possibilities of that section to determine the flow on which they could count upon as economic, having regard to the conditions which existed at the time. For example, it might be wise only to put in a development which would take a flow of 220,000 c.f.s. which, according to the curve I am looking at, occurs for 60 per cent of the time, and under another set of conditions it might be considered wise to put in an installation which would utilize say 250, which, according to this curve, occurs about 25 per cent of the time. In other words, the variation flow is the thing which determines the economic installation.

By Mr. White:

Q. Not entirely, that is not the sole consideration?—A. No. It is one of the considerations.

By Mr. Montgomery:

Q. I have found the record at page 355 of the evidence. On page 358 of your evidence, Mr. Henry, you were being asked about the change in the feeder and you said:—

Application has been made for the substitution of this new one for the old one.

I do not think that application has been filed, so I will ask, Mr. Chairman, to file it as an exhibit. It has reference to the fact that there is a change of some 3,000 feet below the canal instead of above it.

The CHAIRMAN: That is where reference is made to the dyke. I thought Mr. Henry said that was done without application.

Mr. MONTGOMERY: I want to clear that up. The question was asked at page 358:—

Q. And under what authority?—A. There is no authority for the construction of that head gate. Application has been made for the substitution of this new one for the old one.

and the thing was dropped.

WITNESS: I might explain in connection with that application that the plans which were filed in July, 1929, and August, 1930, indicated the necessity for the diversion.

By Mr. White:

Q. Of the feeder?—A. Of the feeder to take care of the construction of the canal; and it was, I find, the idea of the officers of the company that this plan indicated the intention of the company and the necessity for the diversion, and that no further application in that regard was necessary.

By Mr. Montgomery:

Q. You are now looking for the plan of July, 1929?—A. Yes.

By Mr. White:

Q. That was filed with the Department of Public Works?—A. Yes.

The CHAIRMAN: Let me get this clear. The plans to which you just referred disclose that the old feeder is cut off by the canal; and do I understand you to say that this discloses a passage way through the dyke which was to take the place of the old feeder?

WITNESS: It discloses a new St. Louis feeder, and necessarily discloses the fact that that had to have an opening.

The CHAIRMAN: Through the dyke?

WITNESS: Through the dyke. I found that the officers of the company thought that this was all that was necessary, and in my discussions with the officers of the Department of Public Works, during the early part of 1930, after I had joined the company, they seemed to be of the same opinion, and, later on, in a discussion I had with Mr. Coutlee, he drew my attention—which I knew, of course—he drew my attention to the fact that the company was operating the present feeder—the opening—under a lease from the Department of Public Works which arose out of an arrangement or lease which had been granted, following the decision of the Exchequer Court on the Robert rights.

By Mr. Montgomery:

Q. Is that lease filed?—A. I do not know whether it is or not.

By the Chairman:

Q. Do I understand that the lease which was granted following the litigation gave the Roberts the right to breach the dyke?—A. The dyke had been breached long before that, and they simply recognized that he had some right in it, and gave him a lease.

Mr. MONTGOMERY: That was in 1909.

By Mr. White:

Q. Subject to the placing of a head gate?—A. Yes. The head gate had been in. It was for the control of the head gate. This is the old breach. I am not suggesting that there was any real authority for the new breach.

By the Chairman:

Q. I have the wrong impression. Under the lease the Roberts got from the Exchequer Court litigation in 1909 they had a breach in the dyke which was included in the lease?—A. They were given authority to operate the gate. They were given control over the operation of the gate under that lease, and the lease recognized some claim on their part.

Q. They were gates that were put in by the government, were they?—A. I am not sure as to that.

Mr. MONTGOMERY: That lease is from the Department of Public Works, not Railways and Canals.

By the Chairman:

Q. And after the shutting off of the old feeder canal by the present operation, as I gathered from the evidence the other day, you made another breach through the dyke?—A. We did.

Q. And there was no application to get authority for that?—A. And now that is the point we are going to clear up. The company indicated on the first detailed plans filed in 1929 that the construction of these works contemplated building a new feeder and breaking through the dyke, but it was not until after the plans of 1930 had been put in, which showed the same condition, that as the result of a discussion which I had with Mr. Coutlee he suggested that because of the fact that the old opening was covered by a lease, it would probably be better for the company to make an application for a new lease covering the temporary use of the present one for dredging purposes, and the new one supplanting the old one.

Q. It was never adopted?—A. We made application.

Q. It was never approved?—A. It was never approved. That application was made on October 1, 1930.

By Mr. White:

Q. Not to the Department of Public Works but to the Department of Railways and Canals?—A. No, to the Department of Public Works.

Q. Why did you apply to the Department of Public Works for a lease for a property that was vested in the Department of Railways and Canals?

Mr. MONTGOMERY: The existing lease was with the Department of Public Works, and once they asked to have it transferred from the Roberts to the company, naturally they applied to the lessors.

Mr. WHITE: That was because at the time of the granting of the lease those particular matters were within the jurisdiction of the Department of Public Works and not the Department of Railways and Canals.

Mr. MONTGOMERY: I do not think so. I do not speak with certainty as to the departmental division of 1909, but I understand that the Department of Railways and Canals was in existence in 1909.

Mr. WHITE: But the jurisdiction was not the same as it was later, as I understand it.

Mr. MONTGOMERY: I think you will find that the jurisdiction was the same, and the question of drawing off water from the St. Lawrence was under the control of the Department of Public Works, and that lease is from the Department of Public Works in 1909. Consequently the application for the change was made to their lessor, the Department of Public Works.

Mr. MORIN: But if you make a change that takes in Dominion lands, then you have to apply to the Department of Railways and Canals.

Mr. MONTGOMERY: We have the application already for the ownership of the dyke, both the original application and the amended application are on file. They were referred to just before or after lunch—for the ownership of that section of the Hungry Bay Dyke to the Department of Railways and Canals.

Mr. GARDINER: That will not include the new feeder?

Mr. MONTGOMERY: No, that had nothing to do with the feeder at all; that was the application for the ownership of that section of the dyke. I am just answering Mr. Morin on that.

Mr. WHITE: If you got the dyke you would not need to apply to breach it.

Mr. MONTGOMERY: No. That is why this application is directed to the Department of Public Works.

WITNESS: I think I would correct Mr. White on that. I would suggest we would have to apply to breach it.

Mr. WHITE: If you owned it?

WITNESS: I would think that we would require the approval of the Department of Public Works to the breaching of the dyke. I would think so.

Mr. WHITE: I do not see why, if you own it.

The CHAIRMAN: I would be inclined to agree with Mr. Henry even if they owned the dyke. If that gave them the right to completely remove the dyke it would immediately have an effect upon navigation which should be reviewed and approved.

Mr. WHITE: I suppose that would be protected in any conveyance and the power granted to the Department of Railways and Canals.

Mr. MONTGOMERY: I am trying to get over the suggestion of the inference left in the evidence in chief that that thing was done without regard to anybody.

The CHAIRMAN: Mr. Henry does not deny that. Application was made, but it never was approved.

Mr. MONTGOMERY: We have that question of approval. It is common ground between us. The detailed plans were filed in July, 1929, and again in August, 1930.

The CHAIRMAN: I do not think it is a matter of any supreme importance, but I think we will have to take direct issue, and, of course, I think we can still remain coherent; but so far as the breaching of that dyke is concerned the company never got the approval. Did they, Mr. Henry?

Mr. MONTGOMERY: I was coming to that in connection with the plans generally, and this question of approval. I wish to draw attention to this fact that there had been an application made to the department.

Mr. GARDINER: When was the application made?

Mr. MONTGOMERY: October 1, 1930. Mr. Henry has explained that they were under the impression that their application had been covered by their original application—the plans of July, 1929, and August, 1930.

Mr. JACOBS: Are those part of the plans recommended by Mr. Cameron and never approved by the Minister?

Mr. MONTGOMERY: That is right. The application of October 1, 1930, which I have before me and which I am now offering in evidence, recites on its first page the old lease from the Department of Public Works to Robert, the

assignment from Robert to the Beauharnois Company which had been approved by the department, and it goes on to recite:—

Since the route of the new Beauharnois canal from Lake St. Francis now being constructed by this company under the authority of the Order in Council of 8th March, 1929 (P.C. 422), plans of which are before your department, will cut across the existing route of the St. Louis River feeder, it now becomes necessary with the permission of your department to replace the head-gates and a reach of the feeder by new head-gates and a new reach of the feeder brought to the south of the new Beauharnois Canal, in order that the existing water supply of the St. Louis River may be maintained in the future.

We submit herewith for your consideration our Document No. 61, dated 1st October, 1930, entitled "Plans of new head-gates and intake for the relocated St. Louis River feeder (or canal)," comprising the following plans.

It enumerates them and then goes on to say:—

As will be seen from the plans, the proposed new reach of the feeder from the proposed new head gates to its junction with the existing feeder runs wholly through our own property, as does the existing feeder.

In pursuance of the provisions of the above mentioned lease agreement, application is therefore hereby made for such governmental approvals regarding the plans and otherwise as may be necessary in the premises, for a renewal of the lease agreement for a second term of twenty-one years, and in view of the above recited assignment, for the issuance of the renewal in the name of Beauharnois Light, Heat and Power Company, the descriptions and recitals in the renewal lease to be adjusted to conform to the enclosed plans if approved as regards the new head gates so that they will replace the old in the renewal lease.

We understand in this connection that under the conditions of the present lease we shall be required eventually to remove the old head gates and fill in the portion of the dyke of which they form a part; but as we have to use water through these head gates and the existing reach of the feeder for dredging purposes in the construction of the new Beauharnois canal we wish to apply also for a temporary permission to continue this use subject to the supervision of your department so long as such construction purposes require it, not exceeding two years from this date. The flow thus required will be simply the equivalent of the suction capacity of our dredge.

We shall be glad to furnish any further information or descriptive matter which your department may require for the purpose of dealing with this application.

And then it encloses the rental—one dollar for the rental.

(Application for change of location of feeder filed, marked Exhibit 78.)

By Mr. Montgomery:

Q. From what date did you begin as general manager?—A. Approximately the 10th of March, 1930.

Q. And during the time that has intervened since that date, can you tell us what your contact has been with the Department of Public Works—whether they have been in full contact with the work?—A. Well, shortly after I joined the Beauharnois Company, I looked up the position of the plans that had been already filed, and came up to Ottawa myself to consult with Mr. Cameron and determined what his ideas were regarding the contact that we desired to have with the company.

By the Chairman:

Q. Whom did you consult with?—A. Mr. Cameron, the chief engineer. So that we could get an understanding in the first place as to just what he wanted us to do in the way of detailed plans, and further to find out what men, if any, in his organization he wanted to designate particularly.

Q. To take lessons on this matter?—A. To pass on the work. And I made an arrangement with him to have Mr. Stuart Scovil, who is here, as our Ottawa representative so that if he wanted to get any information from us, and if we wanted to explain anything we were trying to do to him, it would be done through Mr. Scovil.

By Mr. Montgomery:

Q. The work for the season of 1930 had not commenced, or was just commencing?—A. It was fairly well organized by then. I think perhaps I can tell you how many were at work at that time; but it chiefly consisted in assembling equipment and getting the track ready. It was 1930. The actual excavation had started in a small way in 1929.

Q. Has your engineering department and the Department of Public Works been in close contact ever since?—A. We have tried to keep in as close contact with them as possible.

Q. Have they a resident engineer on the ground?—A. Yes.

By the Chairman:

Q. Who is he?—A. Mr. Hand.

Q. I presume that from time to time he lends assistance to you?—A. He reports to the Department of Public Works what we are doing.

Mr. WHITE: You mean lends himself.

WITNESS: It is necessary in work of this kind that very close contact should be had between the various parties. For example, the Canadian National and the New York Central are interested in the construction of two bridges. We arranged with both these railways that they would delegate a man to co-operate with our engineers so that if any problem came up in which they were interested, they would be able to give a decision. The same is true with the road. The Department of Highways of Quebec have a resident engineer on the job, and we do not do anything without consulting him.

By the Chairman:

Q. Mr. Henry, gathered from someone's evidence—I cannot tell whose at the moment—that there were six or seven months of operation when you had no resident engineer on behalf of the government?—A. Well, that is true. Those operations will cover the period from sometime in 1929 until the spring of 1930. There is nobody on the job?—A. That is quite right.

By Mr. Stewart:

Q. Was there somebody there when Mr. McLachlan visited the works on August 3, 1930?—A. That I am not able to say definitely. I do not know. There may not have been a resident engineer on the job, but the engineers of the Department of Public Works have been there at numerous times inspecting the actual construction. Whether they had placed a resident on the works or not, I do not recall.

By Hon. Mr. Mackenzie:

Q. Surely the Department of Public Works could tell us that?—A. I think they could. We did not keep a file on it.

By Mr. Montgomery:

Q. Something may be said as to the construction of section 11 of the conditions attached to Order in Council 422 which, naturally, nothing you can

say will vary. I would like to know in practice whether it would be possible in construction work of this kind to submit and have approved all the detailed plans before the work is commenced?—A. It would be entirely impracticable.

Q. Why?—A. Because a large part of the operations involved in a construction of this kind necessitate sufficient preliminary work being done in advance to know the kind of a structure that you have got to construct; and, therefore, until that work is done nobody would think of approving of the detailed plans. It could not be done.

By the Chairman:

Q. In practice, the detailed plans, probably in more cases than otherwise, would be approved after the work is practically finished?—A. Sometimes they ask that a change be made here and there, and finally the completed work is approved as done.

Q. So it comes down to the consideration of what is a detail and what is not?—A. Yes, it does.

Mr. WHITE: I wonder if Mr. Montgomery would mind by breaking in on him. I find it difficult to follow that because of the departmental regulations. The reason for my breaking in is because Mr. Montgomery might want to give some information in regard to it. There is a letter dated June 26, 1928, and filed as part of exhibit 17, at page 132, 804-1B written by Mr. O'Brien the Secretary to Ainslie W. Greene as follows:—

On January 18, 1929, you transmitted to the Deputy Minister of Public Works various documents on behalf of the Beauharnois Light, Heat & Power Company, in connection with certain power development from a point on Lake St. Francis near the mouth of the existing canal or feeder through the County of Beauharnois to Lake St. Louis.

In a memorandum dated January 28, 1928, transmitted with the letter in question, it is mentioned in paragraph 5, page 2, that

5. The Company now asks for approval of its proposed development and in connection therewith makes application for all such authority from the Dominion Government as may be necessary to divert from Lake St. Francis to Lake St. Louis and use an initial flow of 40,000 cubic feet of water per second.

Now, in Schedule "A" dated March 17, 1927, attached to the memorandum of January 17, 1928, it is stated in the first paragraph, page 3.

The undersigned therefore respectfully requests that this application be given early consideration and that your applicant be informed what plans and other information and date will be required.

Our file indicates that Mr. Frederick Brown and Mr. Allan Jones, on behalf of the company, met the Board of Engineers of this department on February 23rd, and that they were informed of the requirements.

It is now found that the Beauharnois Light, Heat and Power Company is publishing a notice in the *Canada Gazette* and likely local newspapers to the effect that the plans of the power development in question have been deposited with the Registrar of Deeds for the County of Beauharnois and with the Minister of Public Works at Ottawa, pursuant to the provisions of section 7 of the Navigable Waters Protection Act, chapter 140, R.C.S., 1927.

I may say in this connection that we do not appear to have received the necessary material required under the Act to enable the department to deal with the application.

I send you herewith a copy of a memorandum prepared by this Department setting forth in detail the requirements of such Act.

It will therefore be in order for the company to submit the necessary plans, descriptions of the site, evidence of deposit thereof in the Registry Office, as mentioned in the memorandum, and proof of the interest of the company in the land required for the works.

On completion of the advertising, it will also be necessary to supply proof of the publication thereof in accordance with the directions prescribed in section 3 of the memorandum.

I am bringing this matter to your attention on the assumption that you are acting for the above company at Ottawa, in view of your communication of January 18, 1928, above mentioned.

And amongst the regulations I find this memorandum in reference to applications for the approval by the Governor General in Council under the provisions of chapter 140, revised statutes of Canada, 1927, of the sites and plans of works in navigable waters.

"Work includes," and so on.

Under the statute and practice of the Department the procedure is as follows:—

1. To deposit a written description of the site, if possible by metes and bounds, and also a plan or plans of the proposed work, with the Minister of Public Works, accompanied by an application for their approval by the Governor General in Council. The plan or plans must be sufficient to indicate clearly the nature and extent of the work, and also the site of the same.

Mr. MONTGOMERY: Those are filed.

Mr. WHITE:

Duplicate of the above mentioned description of the site, and so on.

3. One month's notice in the form set out at the conclusion hereof of the deposit of the description of the site and of the plan or plans with the Minister of Public Works and with the Registrar of Deeds must be given by advertisement in the *Canada Gazette* and in two newspapers published in or near the locality where the work is to be constructed.

Evidence of the publication of the advertisement in the *Canada Gazette* and in the two local newspapers must be furnished to the department, and may be by Statutory Declaration, with copies of the advertisement in the *Canada Gazette* and in each newspaper attached as exhibits. The declaration must state that the two newspapers containing the advertisement are published in or near the locality where the work is to be constructed, and must mention the dates of the issues of the newspapers that contained the advertisement. Four insertions of the advertisements at weekly intervals will be accepted as satisfactory compliance with the provisions of the statute in this regard.

4. The applicants must furnish proof that they own or have a sufficient interest in the land and land covered with water upon which the works are to be constructed. It is not sufficient to hold the riparian interests alone if the work extends beyond the limits of the shore, but a sufficient portion of the harbour, river or lake bed must also be held by the applicants. The statute has reference to the erection of structure on lands owned by the applicants or which they have the right to use

and is designed to provide for due protection to navigation. It cannot be used as a means of acquiring title to lands upon which the structure is to be erected.

Applicants will note that when it is necessary in connection with the proposed work for them to acquire land (including land covered with water) belonging to the Dominion of Canada, a separate application for such land must be made.

This is the paragraph to which I wish to call particular attention:—

It is to be noted that it will be too late to apply for approval of the plans and site after the work is built, and works must not be commenced before the plans have been duly approved.

The Statute gives no power to approve of works already constructed or in process of construction, except in the case of works constructed or in process of construction on the first day of June, 1918.

Mr. MONTGOMERY: That all applies to the plans which are filed. Everything was duly complied with, and their plans approved.

Mr. WHITE: I do not agree with my learned friend. I am bringing the matter to his attention now in order that he may ask the witness any of these questions if he so desires.

Mr. MONTGOMERY: I would not think it necessary to ask him any questions.

The CHAIRMAN: Is it your view, after hearing these regulations, that the company has complied?

Mr. MONTGOMERY: Yes, they complied fully. Those were all complied with. This eleven that we have had under discussion is attached to the approval pursuant to all the regulations having been complied with. In other words, it is an approval of the detailed plans. But the regulation referred to is the plan sufficient to show the general scheme, the site and so on. The plans that are referred to in this regulation are described in paragraph "C". That is the plan or plans must be sufficient to indicate the nature and extent of the work, and also the site of same. This memorandum refers to applications, and it is to be noted that it will be too late to apply for approval of plans after the work. Now, these are the plans referred to, and you can not make your application for the approval of the plans under the Navigable Waters Protection Act, after you have done your work.

Mr. WHITE: Or before you have approval of your plans.

Mr. MONTGOMERY: We have approval of the plans.

We do not need to argue that. I think I understand your contention and you understand mine. Our plans were approved. Condition 11 speaks for itself. That has nothing to do with these regulations, which were all duly complied with.

Mr. MORIN: You have no approval for the plans of the intake of the canal—for the changing of the intake of the canal.

Mr. LENNOX: What was the first section?

Mr. MONTGOMERY: The procedure under the practice of the department is as follows:—

To deposit a written description of the site, if possible by metes and bounds, and also a plan or plans of the proposed work with the Minister of Public Works, accompanied by an application for their approval by the Governor General in Council. The plan or plans must be sufficient to indicate clearly the nature and extent of the work, and also the site of the same.

Mr. JACOBS: Was that done?

Mr. MONTGOMERY: That was done and those plans were approved. What we are talking about—what was suggested was not done refers to the detailed plans referred to in section 11 of the Conditions.

Mr. WHITE: Of course, I am not going to let my learned friend go unchallenged, but I do not want to get into an argument with him so long as it is understood that I am not agreeing with him.

Mr. LENNOX: How do you reconcile clause 6 with the one you have read?

Mr. MONTGOMERY: Clause 6 refers to the plans described in 1. There are the plans sufficient to indicate thoroughly the nature of the work and so on.

Mr. JACOBS: Does Mr. O'Brien in his letter agree with your contention?

Mr. MONTGOMERY: I have just heard my friend reading it. Mr. O'Brien's letter, as I take it, was prior to the time when we had filed our application with the plans which were approved.

Mr. JACOBS: And since that letter was received, these plans—

Mr. MONTGOMERY: Absolutely.

Mr. FORSYTHE: Mr. Griffith pointed out that there was a start made, and after Mr. O'Brien's letter, it was necessary to start again, and to file the plans in a different way.

Mr. WHITE: They have never been approved. The Order in Council expressly states that it does not approve of them.

Mr. MONTGOMERY: Oh, no, Mr. White.

The CHAIRMAN: Is not the difficulty, Mr. Montgomery, that the person who drew up these regulations did not have in contemplation any such work as this. The regulations as drawn were unworkable so far as this work is concerned?

WITNESS: Absolutely.

Mr. MONTGOMERY: These regulations are all right; it is condition 11 that is unworkable. The regulations are perfectly all right. All that requires is the filing of plans.

WITNESS: May I modify that statement, Mr. Chairman, to this extent, that it would be necessary to obtain the approval piecemeal of every little thing under section 11.

The CHAIRMAN: Then the regulations are not as clear as they might be.

Mr. LENNOX: Do you suggest that the plans as filed originally come within section 6?

Mr. MONTGOMERY: Absolutely. It is plain. You turn back to 1 to find out the plans they are talking about. The letter was written before these plans had been filed.

Mr. JACOBS: You sent subsequent plans to the department. Is there any acknowledgment of them from the department?

Mr. MONTGOMERY: Well—

Mr. JACOBS: There has been no approval by the minister.

Mr. MONTGOMERY: They were approved by 422.

Mr. MACKENZIE: Section 22 of 422. My question is this. Admitting for the moment that your contention is correct, how can you justify the change of the intake as being a matter of detail—3,000 feet?

Mr. MONTGOMERY: That will be, of course, a matter of opinion as to whether that is a detail. It was so treated as a matter of detail, and it was shown on the July 1929 plans as a detail.

The CHAIRMAN: If we disagree as to whether that is a detail, I trust you will not charge me with lacking in breadth of view.

Mr. MONTGOMERY: I do not know, because after all, in a work of this size, as to whether that St. Louis feeder, which is clearly cut by the canal—something has to be done with regard to the flow of the water in the St. Louis River for the benefit of the people on the river—obviously it is a matter of detail as to how that was to be taken care of.

The CHAIRMAN: I think you are right in that respect; but it is unfortunate that before the breach was made in the dyke approval was not granted.

Mr. MONTGOMERY: That may be, but that had been up for approval ever since July, 1929.

The CHAIRMAN: And in the absence of getting approval, and under necessity, the breach was made?

Mr. MONTGOMERY: Yes. What I suggest is that that falls into that general question: what procedure had been adopted in practice as between the department and the company as distinguished from the interpretation which is sought to be placed upon section 11.

The CHAIRMAN: Who drew up section 11 and these other sections?

Mr. MONTGOMERY: I think it was taken from Mr. McLachlan's draft report.

The CHAIRMAN: And everyone agreed with it?

Mr. MONTGOMERY: Apparently it went through without much consideration.

By Mr. White:

Q. As a matter of fact, Mr. Henry, was the intake of the feeder changed before or after the application that had been filed?—A. Before or after this application of October, 1930?

Q. Whichever one it is?—A. The one we have just filed?

Q. Yes?—A. I would have to check that up; but I am inclined to think that it was before.

By Mr. Montgomery:

Q. Will you tell us whether there existed any necessity for the change in that intake in the course of the work?—A. The chief necessity arose because of the fact that we were using the water of the old feeder for dredging purposes, and the discharge coloured the water, filled it with silt and so on, and it was necessary to get a supply of clear water.

By the Chairman:

Q. You are still using the water from the old feeder?—A. Yes. We are still using it.

Q. At the capacity?—A. No, it is just a trickle to supply the evaporation.

Q. Just where on the plan did you reach the dyke?—A. Right at this point (indicating).

Q. You bring it in a pipe down to the hydraulic dredge?—A. Oh, no; the water for the dredge comes from the old feeder—comes down where the dredge is now working. The water from the new feeder comes down this line joining the old feeder at that point, two and a half miles from Lake St. Francis, and then follows the old feeder channel down to the St. Louis River, a distance of another mile and a half.

By Mr. Montgomery:

Q. The old feeder is actually cut by the canal?—A. Yes.

By the Chairman:

Q. The water you bring through the dyke from the south bank; what is the reason for that?—A. It is for the operation of the hydraulic dredge. Well, first of all there is a large plant down here, and they had the use of 300 cubic feet per second, I believe.

Q. They formerly got that by the old feeder?—A. Yes. I might explain that the reason for constructing the feeder in the first place was that the drainage there, consisting of approximately 60,000 acres was not sufficient to give a uniform flow, and the flow was so discoloured, so this feeder was to give a uniform flow. The new one had to be built not only to maintain the flow, but also to maintain the flow for the farms along the bank of the St. Louis River.

Q. When your canal north bank cut that old feeder, you had to breach that dyke or you would have had trouble?—A. Yes; had trouble with everybody.

Mr. WHITE: I think this involves a new application for 300 more cubic second feet.

By Mr. Montgomery:

Q. I do not know whether you had completed all you had to say in reference to the practicability of section 11 as interpreted by my friend Mr. White?—A. Well, I do not know that I remember just how he interpreted it, but unless—

The CHAIRMAN: Perhaps I had better read it, Mr. Montgomery. "The company shall not commence the construction of the works until detailed plans of construction and all necessary information respecting the said works have been submitted to and approved of by the Minister, provided that such plans and information shall be submitted within one year."

Mr. MONTGOMERY: You have our argument, as we made it?

The CHAIRMAN: Yes.

Mr. MONTGOMERY: About works, as to what they were, based upon this clause, and it will not be necessary for me to repeat it now.

Mr. WHITE: We hope not.

Mr. MONTGOMERY: I think I am correct in my explanation to you sir, as to the origin of that section 11, where it came from. I am practically certain that that was one of the conditions which were suggested to Mr. McLachlan's draft report.

The CHAIRMAN: On that everyone agreed, or did they?

By Mr. Montgomery:

Q. What would you say about that from a practical point of view?—A. From a practical point of view, unless it were considered desirable to have each of the small details approved individually, I would think it was an absolutely impracticable clause.

Q. In works of this magnitude, can you possibly carry out the details that were planned before the work was constructed?—A. We would be very foolish, if we did that, because it is really from experience that you see what you have to do.

Q. I suppose there have been numerous changes?—A. Numerous changes, and there will be.

Q. And there will be?—A. Yes.

Q. And those changes, discussed, between your company and the Department of Public Works?—A. When we arrive at a position when a change seems desirable, I consult with Mr. Scovil, and he takes the matter up with the Department of Public Works, so they will be advised as to what our views are.

By the Chairman:

Q. Mr. Scovil or Mr. Cannon would not have the authority to approve?—

A. No. they would not.

Mr. MONTGOMERY: To recommend, that is all?—A. I think their discussions are to try and meet the views of the authorities as far as it is possible to meet them. That is the idea behind it, just the same as we have to meet the ideas of the Highways Department of Quebec, and the railways.

By Mr. Montgomery:

Q. Are changes suggested by the Department of Public Works?—A. They have been, yes, from time to time, yes.

Q. Now, there is some question as to the possibility of control of the amount of water which you would draw through your power house. Before giving an answer to that, I should like to draw your attention, and the attention of the committee to the emphyteutic lease from Quebec, from which it is claimed we got the right to divert the water. It is in as an exhibit.

Mr. WHITE: I do not think it is in as a separate exhibit.

Mr. MONTGOMERY: It is in one of the departmental files.

Mr. MACKENZIE: Read into the record.

Mr. MONTGOMERY: Then, I might read the clause.

Annual Statements, Inspection:

14. The Lessee shall submit to the department, a yearly statement of its operations, showing the amount of power produced and how it has been utilized, the whole certified under oath by a qualified officer.

If need be, any person appointed by the Minister of Lands and Forests may have access to the books and registers of the lessee for auditing purposes; similarly, the engineers authorized by the Minister may verify the measurements, visit the ground, and make all calculations that may be necessary in order to ascertain whether the conditions had been duly fulfilled.

The reports of such officers shall be final.

Then, clause 15, of the order in council deals with the same subject matter.

Q. Now, in practice, Mr. Henry, does this question of taking the flow of water that the company uses present itself?—A. Oh, entirely, under P.C. 422.

There is a condition, condition No. 15 which says,

The Minister, or his duly authorized representative, shall have full and free access at any and all times to the works of the company and shall have free control of the operation of the compensating or regulating sluices wherever situated, shall have the right to measure the discharge of the various channels and passages, and to adjust the flow of water in the interests of navigation. The company shall take and keep such records of the flow of the St. Lawrence river, or the waters thereof, as the Minister or his representative shall deem necessary, and shall calibrate or cause to be calibrated to the satisfaction of the minister, such turbines, penstocks, sluices or other water passages as the Minister may require, and shall furnish at such times and in such manner and in such form and based on rating satisfactory to the Minister, certified copies of its records of flow and its records of operation.

Now, so far as the company is concerned, I might say that the power house—I will read this so that we will get it correct.

The power house, when completed, in accordance with section 15, p.c. 422, will be equipped with electrical appliances which will register at any instant the power output in kilowatts for the plant as a whole and for each individual unit.

This output will be related through calibration by the Gibson Test (a recognized method of calibration) to the flow of water through the water wheels and the result will be that the quantity of water being used can be determined at any instant by merely reading the power output. In other words, when a duly authorized inspector desires to examine the quantity of water used all that is necessary for him to do is to examine the power output and he will know from that observation the corresponding flow of water through the power house.

The Gibson method of testing the output is an adaptation of the ordinary system of metering by using the water wheel as the meter.

Now, I might say that this method is the same method that has been adopted at Niagara, and if I might just read from a copy of a report which I obtained from Mr. Scovil, which is dated the 15th June, 1925. This report is the report of the Niagara Control Board, and I should like to read clause 4.

The Board adopted a method of determining the amount of water diverted by the several power companies on the Canadian and American shores of the Niagara River at Niagara Falls, and directed that hourly records be kept of the diversions by these companies. The method of measurement adopted determined at hourly intervals the power output of the various plans by watt meter readings, and by computation therefrom the amount of water used by the various hydro electric units is obtained by means of curves showing the relation between water consumption and power output for the different units, as determined by efficiency tests.

5. The efficiency tests were made under the direction and in the presence of the Board or its representatives. They consisted of measuring the amount of water used and the amount of electrical energy delivered by a unit at various gate openings. The electrical measurements were made by carefully calibrated electrical instruments of standard type. The measurements of water consumption were made by the Gibson method. This is a fairly recent development in hydraulic art, by which the amount of water flowing in a penstock is computed from a pressure time diagram showing the changes in penstock pressure caused by a closure of the turbine gates.

By Mr. White:

Q. Do you get that in an open ditch?—A. I beg your pardon?

Q. Do you get that same pressure measurement in an open ditch?—A. They close it for tests, tested by a surge effect.

The Board investigated this method very carefully and secured such convincing evidence of its accuracy and convenience that it was adopted as a standard method for use throughout the operations of the Board (for a detailed description of this method see Trans. Am. soc. M.E. Vol. 45-1923). These measurements were made on each type of unit in each power house, and, where more than one unit of the same type and capacity was installed at least one unit from each five or less identical units in a plant was tested.

By the Chairman:

Q. How do you control that flow at the head turbine?—A. How is it controlled? On the surge—

Q. You regulate the gate opening to allow it to go through the turbine.

Mr. WHITE: There is a valve there.

The WITNESS: It is a stoney valve.

By Mr. Montgomery:

Q. Now, with regard to the 80,000 second feet that you refer to as being the capacity of the projected power house, one-third of 240 of the three units of 80,000 each, can you tell us as a matter of fact, what the projected capacity of this power house is, how many openings there are and so on?—A. The present power house is being utilized, is being constructed to accommodate a flow of 53,000 c.f.s. a second, and to conform with the contract requirements which the company has. That is to say, an installation of 500,000 covered h.p. with certain spares. These spares are two in number; therefore there will be 12 units, 10 required in the regular operation and two spares.

By Mr. White:

Q. Twelve of fifty?—A. I beg your pardon?

Q. Twelve of fifty?—A. Twelve of fifty.

Mr. JACOBS: Mr. Montgomery, do you expect to examine Mr. Henry at much further length, because we are thinking of adjourning until Monday at two o'clock, and we will have two sessions, Monday afternoon and Monday night, and then we will continue right on till the end with morning, afternoon and night sessions.

Mr. STEWART: Hear, hear.

Mr. MACKENZIE: That is talking.

Committee adjourned at 5.30, to resume Monday, July 13th, at 2 p.m.

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SESSION 1931

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON



BEAUHARNOIS POWER PROJECT

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 13

MONDAY, JULY 13, 1931

WITNESSES:

- Mr. Robert A. C. Henry, Vice President and General Manager, Beauharnois Power Corporation, Limited.
- Mr. L. Claire Moyer, Barrister, Ottawa, Ont.
- Mr. R. O. Sweezey, President, Beauharnois Power Corporation, Limited.
- Mr. Hugh B. Griffith, Secretary Treasurer, Beauharnois Power Corporation, Limited.

EXHIBITS FILED

No. 79—B.L.H. & P. Co. Estimates of operating expenses at end of first year following complete development and sale of 500,000 commercial horse power;

No. 80—Beauharnois Canal. Cross-section for various capacities, based on $2\frac{1}{4}$ f.p.s. flow;

No. 81—Beauharnois Power Corporation Limited and R. A. C. Henry. Memorandum of agreement, March 10, 1930;

No. 82—B.L.H. & P. Co. Plans and specifications of the works, pursuant to sect. 7, Water-Course Act, May 9, 1929, Document 18.

MINUTES OF PROCEEDINGS

MONDAY, July 13, 1931.

The Special Committee appointed to investigate the Beauharnois Power Project met at 2.00 p.m. Hon. Mr. Gordon, the Chairman, presided.

Members present: Messrs. Dorion, Fiset (Sir Eugène), Gardiner, Gordon, Jacobs, Jones, Lennox, Mackenzie (*Vancouver Centre*), and Stewart (*Lethbridge*).

Mr. Robert A. C. Henry, Vice President and General Manager, Beauharnois Power Corporation, Limited, was recalled and further examined. He produced a statement which Mr. White, K.C., of counsel for the Committee, filed as,—

Exhibit No. 79—B.L.H. & P. Co. Estimates of operating expenses at the end of the first year following complete development and sale of 500,000 commercial horsepower.

Mr. Montgomery, K.C., of counsel for Beauharnois Power Corporation, Limited, filed:

Exhibit No. 80—Beauharnois Canal—Cross-section for various capacities, based on flow of $2\frac{1}{4}$ feet per second.

Mr. White, K.C., filed:—

Exhibit No. 81—Beauharnois Power Corporation, Limited, and R. A. C. Henry. Memorandum of agreement, March 10, 1930.

Mr. Montgomery, K.C., filed:—

Exhibit No. 82—B.L.H. & P. Co. Plans and specifications of the works, in pursuance of sect. 7 of the Water-Course Act, May 9, 1929. Document 18.

Mr. Henry retired.

Mr. L. Claire Moyer, Barrister, Ottawa, Ontario, was called, sworn and examined.

Mr. Moyer retired.

Mr. R. O. Sweezey, President, Beauharnois Power Corporation, Limited, was called, sworn and examined.

Mr. Sweezey stood aside.

Mr. Hugh B. Griffith, Secretary Treasurer, Beauharnois Power Corporation, Limited, was recalled and further examined.

Mr. Griffith retired.

The examination of Mr. Sweezey was resumed.

On motion of Mr. Lennox:

Resolved: That the Chairman be authorized to move in the House that a Message be sent to the Senate requesting that leave be given to Honourable Senators Haydon, McDougald and Raymond, three of their Members, to attend and give evidence before this Committee.

At the suggestion of Mr. White, K.C.:—

Ordered: That Mr. Frank P. Jones, Canada Cement Building, Phillips Square, Montreal, be required to appear on Tuesday, July 14, or, failing that, on Wednesday, July 15.

The Committee adjourned at 6 p.m. until 8.30 p.m.

The Committee resumed at 8.30 p.m.

Members present: Messrs. Dorion, Fiset (Sir Eugène), Gardiner, Gordon, Jacobs, Jones, Lennox, Mackenzie (*Vancouver Centre*), and Stewart (*Lethbridge*).

Mr. Moyer was recalled and further examined.

Mr. Moyer retired.

Mr. Sweezey was recalled and further examined.

Mr. Sweezey retired.

The Committee adjourned until to-morrow, Tuesday, 14th July, at 11.00 a.m.

JOHN T. DUN,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,

MONDAY, July 13, 1931.

The Select Special Committee appointed to investigate the Beauharnois Power Project met at 2 o'clock, Hon. W. A. Gordon, presiding.

Appearances:

Peter White, K.C., Louis Morin, K.C., B. H. L. Symmes, for the Committee.

I. F. Hellmuth, K.C., G. H. Montgomery, K.C., L. A. Forsythe, K.C., for the Beauharnois Company.

J. R. L. Starr, K.C., for Senator McDougald.

Hon. Lucien Cannon, K.C., for the Province of Québec.

Lucien Moraud, K.C., for the Royal Trust Company.

Mr. WHITE: I think, Mr. Chairman, Mr. Henry was to give us some figures this afternoon.

R. A. C. HENRY, recalled.

By Mr. White:

Q. You gave us an estimate, Mr. Henry, of the cost of completing the work—that is, that the cost of the completed work to develop and deliver 500,000 h.p. would be about \$76,000,000?—A. Including discount on bonds at ninety.

Q. Yes?—A. Yes.

Q. That is, that when the work is completed there will be, according to your estimate, an outstanding bonded indebtedness of \$76,000,000?—A. That is correct.

Q. For completion of the work up to that point?—A. That is right.

Q. That will be 80,000 cubic second feet?—A. No, no; 53,000.

Q. And with work capable of taking 80,000 cubic feet?—A. No.

Q. With a h.p. capable of utilizing 80,000 cubic second feet?—A. That should be corrected to 72,000.

Q. Wherein does the correction come?—A. The correction comes in that that there will be 12 units having a capacity of 6,000 cubic feet each, two of which will be spares, and are required to fulfill the condition of the contracts.

By Mr. Lennox:

Q. What will be the cost per h.p. based upon that?—A. The cost per h.p.? Approximately \$130,000,000 I should say.

By Mr. White:

Q. Is that regarded as high?—A. That is an average price. It is about midway between a low and high; it is a medium figure.

Q. Do you know what the cost per h.p. was of the development on the Niagara River—The Chippawa development?—A. I do not recall that; no.

Q. Then the 30,000,000 at 6 per cent would be an annual charge of \$1,500,000 a year?—A. Yes.

Q. The \$46,000,000 at 5½ per cent would be an annual charge of \$4,330,000?—A. \$2,530,000.

Q. Oh, yes; the two together would be \$4,330,000 per year?—A. Yes.

Q. That would be your fixed charges?—A. Yes.

Q. Now, you were to give me some figures as to the annual cost of operation and maintenance including depreciation and obsolescence?—A. This estimate is entitled "Estimate of Operating expenses of the Company at the end of the first year following the complete development and the sale of 500,000 commercial H.P.:—

Labour and supplies (operation and maintenance)\$	275,000
Administration.. . . .	175,000
Insurance.. . . .	100,000
Rentals.. . . .	483,430
Depreciation.. . . .	375,000
Taxes.. . . .	50,000
Interest on \$30,000,000 6 per cent Collateral	
Trust Bonds.. . . .	1,800,000
Interest on \$46,000,000 5½ per cent First	
Mortgage Bonds.. . . .	2,530,000
	<hr/>
	\$ 5,788,430

Q. At what rates is your depreciation?—A. Well that has some relation to the earning power. It is not based upon physical assets really, because at that stage of the development it is not assumed that the physical assets will have depreciated very much.

Q. It is good accountancy, is it not, in an enterprise of this kind to estimate the useful life of the plant, and to set up depreciation equal to an amount which will amortize it over the period of its useful life?—A. Nobody could tell what the useful life is.

Q. It is an estimated useful life. There always is a theoretical useful life in these things, is there not?—A. There always is, but it seldom turns out in practice.

Q. Recognized systems of accountancy do set up a period of useful life for a plant such as this, do they not?—A. Yes.

Q. And you say you have disregarded that and have figured it rather on the percentage of earnings?—A. I should say a little later on in the development of the company it might be desirable to set up a depreciation anywhere from 5 to 10 per cent of gross earnings, rather than based upon the physical assets.

Q. What you have set up for this particular year is— —A. 5 per cent, I think.

Q. More than that?—A. I am talking about earnings.

Q. Those earnings being what?—A. The earnings would be approximately —the earnings on the two contracts would be \$5,947,000.

Q. Yes?—A. And outside of that one million and a half estimated.

Q. That is for the extra 100,000 h.p. is it?—A. That is correct.

Q. That is a gross estimated earning of \$7,447,000 per annum?—A. According to your figures.

Q. And meets your bond issue and cost of labour and supplies—at least operating and maintenance charges, rentals, depreciation and taxes?—A. Yes; insurance as well.

By the Chairman:

Q. Does that harmonize with the statement in Mr. Sweezy's letter to the public as to earnings?—A. I did not check that up.

By Mr. White:

Q. You put a figure in here of \$50,000 for taxes. Does that include income tax?—A. No, that includes taxes that are payable to municipalities and such like.

Q. Why not an estimated amount for income tax?—A. Well, perhaps there should be an estimated amount for income tax in there that I overlooked.

Q. It will be quite a serious item, would it not?—A. It might be.

Q. And then, is the company not obliged to set up a sinking fund each year?—A. Well, I assume that this depreciation reserve would take care of that.

Q. Well, does it? How much is the sinking fund that will have to be set up for \$76,000,000?—A. Well, no provision has yet been made, at least in the initial stages. No provision is necessary in the initial stages. And it is not necessary, as a matter of fact, to provide two things.

Q. Quite so. I agree. That is, if you have enough depreciation you can take care of your sinking fund. Here the sinking fund can be taken care of in that way, but your idea is that the \$375,000 takes care of that?—A. Yes.

Q. So that your surplus apparently available according to these figures, and leaving out the item which I mentioned a moment ago of income tax, will be \$1,658,570, I figure it?—A. That is approximately correct.

Q. \$375,000 available for dividends?—A. Well, it would not be wise to declare that amount of dividend; it is available for reserves.

Q. Available for reserve or dividend as the case may be?—A. Yes.

Q. According to the declaration of directors, who would be, as we know, elected by the financial interests?—A. Quite.

Q. Mr. Henry, the figures you are now giving us are the total earnings of the project presently in sight?—A. Yes.

Q. And those earnings will be resorted to to retire the whole \$76,000,000 of bonds?—A. They will be available for that purpose, yes.

Q. And will be devoted toward that end and other things.

Mr. WHITE: Hardly that, Mr. Chairman. In the figures which Mr. Henry gave us there is an item of \$375,000 for depreciation, and asked about that, Mr. Henry says that in his view it is not necessary to put in twice an item for depreciation where you have a sinking fund which pays off the bonds during a certain period; and the converse—

The CHAIRMAN: The sinking fund having already taken care of it. Is that the idea?

Mr. WHITE: That is the supposition. Personally, of course, I might not agree with that, but I will bow to superior wisdom.

By Mr. White:

Q. It seems to me that in a plant of this kind you must take care of your sinking fund and of the fact that at the end of a certain period of years you have either an obsolete or a much depreciated plant?—A. Well, if I might answer that, that is perhaps in the Chairman's mind. Prudent operation would demand that perhaps only half this \$1,600,000 be dealt with in the dividend fashion, and the balance of it be put by in the form of a reserve against various things that may occur.

By Sir Eugene Fiset:

Q. Your depreciation fund at present represents 5 per cent, and you told us that it might be increased to 10 per cent?—A. Well, later on you might decide to do that. It is quite certain that the depreciation at the beginning is not as great as it is towards the end, because everything is new.

By Mr. White:

Q. But theoretically you begin to take care of it so that it will be equally spread over the depreciation period?—A. I would not subscribe in whole to that.

Q. That is what the good accountants tell us?—A. I have had a good many arguments on that point.

By the Chairman:

Q. Then, Mr. Henry, how do you reconcile the figures you have presently given us with the statement in the Newman, Sweezey prospectus on the sale of the \$30,000,000 where it says under the heading "Earnings":—

It is estimated by the engineers of Beauharnois Light, Heat and Power Company that upon the sale and delivery of the 500,000 horse power now being installed, the consolidated annual earnings of Beauharnois Power Corporation, Limited, and its subsidiary companies (after providing for all operating expenses) available for interest and sinking fund on the first mortgage bonds of Beauharnois Light, Heat and Power Company and on these collateral trust bonds will amount to over \$6,200,000.

It is estimated that annual interest and sinking fund requirements on the securities of Beauharnois Light, Heat and Power Company expected to be issued in connection with completion of the 500,000 horse power, now being installed, will be \$2,750,000.

Balance available for annual interest and sinking fund on these collateral trust bonds, \$3,450,000.

Annual interest and sinking fund requirements on these collateral trust bonds, \$1,950,000.

A. According to that statement there is interest amount to \$1,800,000, plus \$150,000 for sinking fund, making \$1,950,000. That deals with the last amount. Now, they estimate—those expenses which do not fall into the category of sinking fund total according to the estimate I have just put in, \$1,083,000. If you subtract that from \$7,447,000 you will get \$6,364,000 to check with this figure of \$6,200,000 which is set out as the amount available out of consolidated earnings after providing full operating expenses, and available for interest and sinking fund. Now, if you include also \$375,000 which I have put in here for depreciation, you will have approximately \$6,000,000 for the same purpose.

Q. Reading this letter from Newman, Sweezey that I have before me, I would take it to mean that out of the total consolidated earnings, \$2,750,000 would be all that would be required for bonds of the Beauharnois Light, Heat and Power Company, not then, but to be issued?—A. Yes, I think that is correct. Now, the actual figure, according to my estimate is \$2,530,000—the corresponding figure to the \$2,750,000, according to my figure.

Q. Based on a bond issue of what?—A. \$46,000,000. I think they were estimating on fifty.

Q. Based on \$46,000,000?—A. \$46,000,000 first mortgage bonds, to which would have to be added the \$30,000,000 of collateral trust bonds which is dealt with in the last line.

Q. Then, on the assumption that \$46,000,000 of the old Beauharnois Company is all that is necessary to complete the project, the \$2,750,000 set out in the Newman, Sweezy letter is ample to provide for sinking fund retirement? A. I think so.

Q. And you have no quarrel with the statement that the balance \$3,450,000 of annual earnings would be available as security to the first \$30,000,000 issue? —A. I had not checked it up, but it seems to work out that way. I have no quarrel with that figure; no.

By Mr. White:

Q. Just there, Mr. Henry, does not the letter of Mr. Sweezy, from which the Chairman is quoting, include an item in each instance for sinking fund which you have not included?—A. Yes, that is correct.

Q. Do you know how much was included first in respect of \$30,000,000 of bonds, as for sinking fund, so as to leave the figure of \$6,200,000?—A. Well, the figure \$6,200,000, I take it from the phraseology, includes no sinking fund whatever.

Q. It says it does?—A. It says:

after providing for all operating expenses.

No, I do not think it reads that way.

It is estimated by the engineers of the Beauharnois Light, heat and Power Company that upon the sale and delivery of the 500,000 horse power now being installed, the consolidated annual earnings, of Beauharnois Power Corporation Limited and its subsidiary companies, after providing for all operating expenses—

Now, the earnings available for interest and sinking fund—

Q. Let us get this according to the way you have figured it out. You figure that that figure less the \$1,800,000 and \$2,530,000 is how much?—A. \$6,000,000.

Q. You get \$5,788,430, do you not? No, \$7,447,000, your gross earnings? —A. \$7,447,000 gross earnings. If you take \$5,000,000, or \$4,330,000 out of that, you will get \$5,989,000.

Q. Instead of \$6,200,000?—A. Yes, instead of \$6,200,000; but if you add to that \$375,000 depreciation you will get \$6,364,000.

Q. That does not help us, as I see it. At any rate, putting it this way, your annual interest requirements, according to you, would be \$4,330,000?—A. \$4,330,000.

Q. And that is without any sinking fund?—A. That is without any sinking fund.

Q. That deducted from \$6,200,000 gives you what?—A. \$1,870,000.

Q. And that would be the figure, according to you, instead of the figure \$1,950,000?—A. \$1,950,000 includes \$150,000 for sinking fund.

Q. How do you make that out?—A. \$30,000,000, 6 per cent collateral trust bonds gives you \$1,800,000, and that figures \$1,950,000 which, obviously, includes \$150,000 for sinking fund.

Q. I thought you told me a while ago that it did not?—A. I did not make any such statement.

Q. Let us understand this?—A. It says "annual interest and sinking fund requirements."

Q. Looking at your figure of \$6,200,000—A. Oh, \$6,200,000 does not, according to my reading of this statement, include anything for sinking fund.

Q. You corrected me a moment ago about that?—A. I was talking about \$1,900,000. We were talking about two different things.

The CHAIRMAN: You say it includes nothing for interest and sinking fund.

Mr. WHITE: The \$6,200,000 on what Mr. Henry says, with a comparison of his figures of \$1,870,000, which is the \$6,200,000 less the amounts given by him for annual charges for operating, administration, taxes and so on, that that leaves a figure of \$1,870,000 whereas the figure here is \$1,950,000.

The WITNESS: Perhaps it would be better to make a comparative statement and then there would be no question about it.

Mr. WHITE: I will be very glad if you will do that.

By Hon. Mr. Mackenzie:

Q. Did you make this statement on page 3 of this letter, were you responsible for those figures?—A. No, I was not responsible for them.

Mr. WHITE: In connection with this estimate which Mr. Henry has furnished me with, if he is going to make another calculation, in view of exhibit 71 it had better be filed as an exhibit, and included in the record. That will be exhibit No. 79.

By Mr. White:

Q. At any rate, so far as exhibit 79 is concerned, together with the supplementary statement made by you, which is that your gross earnings are estimated by you to be, when 500,000 horse power are available for delivery and sold, \$7,447,000?—A. Right.

Q. Which would show a profit, so to speak, of \$1,658,570?—A. Right.

Q. With \$375,000 allowed for either depreciation or sinking fund?—A. Yes, Sir.

Q. And no other provision being made in your calculation for sinking fund?—A. That is correct.

Q. And no provision being made for income tax?—A. Correct.

By Mr. Lennox:

Q. Do you know who Mr. Cockshutt is?—A. I do not.

Q. Do you know who P. S. Fisher is?—A. I do not.

Q. Do you know who Angus W. Hodgson is?—A. I believe he is a broker in Montreal.

Mr. WHITE: There was some question about Mr. Henry's contract, that I had asked about.

By Mr. White:

Q. Did you bring it, Mr. Henry?—A. My contract, Mr. White.

Q. Yes?—A. I was not asked for it, Mr. White.

Mr. WHITE: Have you a copy of it, Mr. Griffith.

Mr. CHRISTIE: Mr. Griffith has just stepped out of the room.

Mr. WHITE: Well, we can get it at any time.

Mr. MONTGOMERY: Perhaps Mr. Henry can explain to us the document at the bottom of the large aerial plan.

By the Chairman:

Q. What is this, Mr. Henry?—A. This is a diagram indicating a cross-section of the canal at station 104, which is approximately two miles from the Lake St. Francis end, and it is intended to indicate the cuts, that is, the manner in which the material will be excavated progressively to first of all provide for the 600-ft. channel, and then the 53,000 cu. ft. a second and, finally, the progressive cuts of material that would be necessary to make the complete excavation for the 2,000,000 h.p.

Q. Practically speaking, for the flow of the St. Lawrence?—A. For the flow of the river. The amount of material which would be involved in the first, that is, the development which we expect to have completed by October 1932, involves an excavation of approximately 15,000,000 yards. The width, in the first instance, is 150 ft. on the bottom and 300 ft. on the top, and the amount of material required for the complete development is about 220,000,000 cu. yards. That is on the assumption that all the flow would be diverted that way.

Now, this cross-section over here on the left indicates the north embankment. It is 600 ft. between the centre of the main dyke and the centre of the subsidiary. The elevation of the main dyke is 162, whereas the water level would vary from 150 to 154. The elevation of this small dyke, 600 ft. away, elevates 157. The width of the bottom required for a diversion of 53,000 cu. ft. a second is 757 feet on the bottom.

By Mr. White:

Q. This is the original of your contract, Mr. Henry?—A. That looks very much like it.

Q. Is that the best you can do for it?

Mr. MONTGOMERY: Perhaps we might file this diagram as an exhibit, Mr. Chairman.

The CHAIRMAN: That will be exhibit No. 80. What is the width of the deep channel?

Mr. MONTGOMERY: It shows it varying widths.

The WITNESS: The width of the deep channel provided for—

By Mr. White:

Q. The 27-foot depth?—A. Is 600 feet.

Q. That is, 600 feet at the bottom?—A. Yes, at the bottom.

Mr. MONTGOMERY: And the purport of that exhibit is to show the amount of excavation that would have to be done on a flow of 53,000 cu. ft. down the river in order to pass that water.

By Mr. White:

Q. And the total development would produce how many horse power, do you say?—A. 2,000,000.

Q. 2,000,000 horse power?—A. Yes.

Q. And, of course, the subsequent cost will be very much less than the cost of the initial 500,000?—A. I would expect it to be.

Q. What do you estimate the cost of horse-power to be of the total 2,000,000 horse-power, that is, including the present development?—A. Well, that is a question which cannot be answered, because it involves the acquisition of rights and plant of the Montreal Heat & Power Co., and also the Canadian Light & Power.

Q. Well, has no estimate been made?—A. No estimate has been made for those two items.

Q. Has any estimate been made of a development which will take the whole flow of the river exclusive of them?—A. Oh, yes, an estimate has been made of the amount involved.

Q. And how much horse-power will that produce?—A. That would produce—oh, I will probably have to correct myself there. I was taking "exclusive" to mean with their water but not providing for payment to them for their plant.

Q. I mean excluding all the water they would have the right to use supposing you are allowed to develop the rest of the river?—A. That would be approximately \$1,200,000.

Q. And has there been an estimate of the cost of developing the works to produce that amount?—A. There has.

Q. And what would that cost be according to the estimate?—A. According to the estimate that would cost approximately \$120,000,000.

Q. Or \$100 a horse-power?—A. \$100 a horse-power.

By the Chairman:

Q. That is over and above the \$76,000,000?—A. No, that is included.

By Mr. White:

Q. 1,200,000 horse-power for \$120,000,000?—A. That I might say is the construction cost and it does not include discount on securities, that is the \$120,000,000.

Q. So that I am taking it that way for the present anyway, if it was sold at \$15 a horse-power it would produce what revenue?—A. That would produce \$18,000,000.

Q. \$18,000,000. And the annual interest charge, we have the \$30,000,000 that is \$1,800,000, and that would be \$90,000,000 more at $5\frac{1}{2}$, you put it?—A. It would be more than \$90,000,000.

Q. Well, put it \$95,000,000?—A. Let me see, that would be approximately \$102,000,000 additional.

Q. \$102,000,000, how do you figure that out?—A. Well, I am assuming the discount on the same basis as I did before, and you have to raise \$120,000,000. You require \$132,000,000 to do it. \$132,000,000 less \$30,000,000 is \$102,000,000. \$102,000,000 at $5\frac{1}{2}$ is \$5,610,000. \$7,411,000.

Q. And, of course, your annual charges for operating would not increase proportionately, would they?—A. As far as the power-house is concerned that would be directly proportionate.

Q. But your administration expenses would not be quite as high?—A. Would not be quite as high.

Q. So that taking it in the same proportion as the figures you gave me, what annual net return would that be available for interest and sinking fund?—A. You would like that depreciation deducted, wouldn't You? The interest, plus operating expenses without any allowance for depreciation and sinking fund, would under those conditions approximate \$10,000,000 annually.

Q. On a capital investment of \$120,000,000?—A. A capital investment of \$120,000,000.

By the Chairman:

Q. That is only on the assumption that all your horse-power were sold at that price, approximately \$8,000,000 for betterments, dividends and so on?—A. For sinking fund or depreciation reserve, of dividends.

By Mr. White:

Q. What was the figure, I did not get it?—A. \$10,000,000 in round figures.

Q. That is, for 1,200,000 and, of course, if you can get rid of the other interests at a reasonable figure that would go up again?—A. Well, that does not take into account anything for them at all.

Q. No, of course not?—A. Nor does it take into account using their water.

Q. No. Then before we leave that, Mr. Henry, I have here Exhibit No. 2A. Look at the cross section at mileage 144.3 and the cross section at mileage 152. Would you scale those for me. What I want you to scale is the width at the bottom of the 27-foot channel?—A. At the right-hand side this excavation marked "bottom elevation 125.78" is 500 feet wide at the bottom.

Q. Yes, and the one in the figure above that?—A. The one in the figure above that is 1,100 feet wide.

Q. What is the idea, do you know?—A. That is at 144. I do not know what the idea is.

Mr. STEWART: One is in the rock part of the route and the other is in the soil part of the route, evidently; it says there.

The WITNESS: This is at mile 144.3, looking up-stream, typical for rock section.

By Mr. White:

Q. What strikes me as peculiar, Mr. Henry is—and I thought perhaps you might want to explain it—that this cross section on the plan filed with the order in council shows the bottom of the 27-foot section in one place at 500 feet and the other at approximately 1,100 feet, whereas I understood it to be 600 feet.

Mr. MONTGOMERY: The 600 feet was added at the suggestion of the committee of engineers to meet the condition of the order in council.

Mr. WHITE: I would like an engineer to explain it.

The WITNESS: I do not know personally the circumstances.

By Mr. White:

Q. But that is the fact though?—A. That is the fact.

Q. That the plan filed which I am now showing you shows the 27-foot channel at one place to be 500 feet and at another place 1,100 feet?—A. That is correct. Pardon me, Mr. White. I doubt whether that shows a depth of 27 feet. I might just check that.

Q. That might be more important still perhaps.—A. That shows a cut of only 25 feet and not 27 feet. I mean the depth of water is only 25 feet from the surface of the water.

Q. What about the lower one?—A. The lower one is the same.

Q. 25 feet?—A. 25 feet.

Q. From the surface of the water to the bottom of the cut in other words?—A. Right.

Q. Then I show you the original of your contract of the 10th of March, 1930, between the Beauharnois Power Corporation, Limited, and yourself?—A. Yes, sir.

Mr. WHITE: That will be exhibit No. 81. As this is an original, I told Mr. Griffith that a copy might be substituted. I do not know that we need to spread this on the record.

The CHAIRMAN: Look it over and see if there is anything of significance.

Mr. WHITE: There is one clause in the contract which might be read into the record. It is clause 5:

The corporation covenants and agrees and these presents rest upon the following express understanding and conditions, namely,—

Then (a) and (b) I am not bothering with, except the second paragraph of subparagraph (b):—

And further that there is in contemplation and the intention is that on the completion of a power plant for the production and use of five hundred thousand horse power (500,000 h.p.) there shall be further diligently prosecuted plans and works for the diversion of all available waters from the St. Lawrence river to such an extent, as that to which a total or complete diversion of such waters may extend.

The CHAIRMAN: What is the effect of that, Mr. White:

Mr. WHITE: The very frank expression and intention on the part of the parties.

The CHAIRMAN: It is rather a written expression of a pious hope, is it not?

Mr. WHITE: Possibly. Those are all the parts I wish to draw attention to, and that is all from Mr. Henry at the moment.

Mr. MONTGOMERY: I would just like to put in, while Mr. Henry is in the box, one of the conditions of the emphyteutic lease from the province of Quebec, and I have a set of the plans and copy of the order in council of the province of Quebec.

The CHAIRMAN: That is, by the province of Quebec.

Mr. MONTGOMERY: Yes.

The CHAIRMAN: Are those plans duplicates of the plans filed.

Mr. MONTGOMERY: I am informed that they are duplicates of the July, 1929, plans, and that as regards the August, 1930, plans, Quebec expressed its desire to await the final consummation of the work before submitting for approval the plans as finally amended. I would like those filed as exhibit 82.

The CHAIRMAN: That will be exhibit No. 82.

By Mr. Gardiner:

Q. You have just shown a cross section of the canal or the channel, and do you show on that cross section proposed progressive development? Is it correct to say that it will take a 600 foot channel at the bottom approximately between 700 and 800 feet wide at the top to carry 40,000 cubic feet of water?—A. No, but this channel has a cross sectional area with approximately 2,000 square feet more than is necessary to take 40,000 cubic feet a second if the velocity is $2\frac{1}{4}$ feet a second.

Q. You have ample surplus for 2,000 cubic feet?—A. Not 2,000 cubic feet, square feet.

By Mr. White:

Q. Which would carry how many cubic feet of water?—A. It would carry about 45,000 cubic feet a second, Mr. Chairman.

By Mr. Montgomery:

Q. At low stage?—A. The whole thing is designed at low stage. That flows at low stage.

By Mr. Gardiner:

Q. Could you tell the committee, Mr. Henry, how much you reduce the level of Lake St. Francis by extracting 40,000 cubic feet per second without control works?—A. I cannot answer that question.

Q. Is it possible to answer that question?—A. I believe it is, but I did not look into it personally, because the condition was that it should not be lowered if control works were to be put in.

Q. Have you prepared plans for control works?—A. Oh, yes.

Q. Have they been accepted by the department?—A. The control works, I believe, have been, that is, accepted to this extent that they have been modified to meet the suggestion made by the chief engineer incorporated in the plans filed on the 22nd August, 1930.

By Mr. White:

Q. Remedial works?—A. No, we are talking about control works at the outlet to Lake St. Francis.

By Mr. Gardiner:

Q. I am speaking of the remedial works to keep the level of the lake up?—
A. Those are control works, Mr. Gardiner.

Q. Have you any information that will lead the committee to believe that this control work would keep the level of the lake up, or are they problematical?

—A. It is the opinion of the hydraulic engineers who work on that problem that they will. Of course, they have got to be subjected to regulations dependent upon the stage of the river. But we are confident that they will be so.

Q. When you were under examination on Friday the relations between yourself and Senator McDougald were under consideration and you told the committee that you made a split of the profits of the Sterling Corporation of a 50-50 basis. You told the committee that you had received a certain amount of cash, but not all of it, and you promised the committee that you would bring that information here to-day. How much cash did you receive from Senator McDougald?—A. I received approximately \$100,000.

Q. Leaving?—A. Leaving \$50,000, still to be dealt with.

Q. And you have not received any of the stock yet.—A. No, not yet.

Q. On the understanding between you when do you expect these shares will be delivered to you?—A. Very shortly I believe.

LESLIE CLARE MOYER, called and sworn, and examined by Mr. White.

Q. You reside in Ottawa, I understand?—A. Yes.

Q. And formerly you were private secretary to the Prime Minister of Canada?—A. I was. I ceased to be private secretary to Mr. Mackenzie King at the end of September, I believe it was 1927.

Q. And since that time you have been engaged in the practice of your profession?—A. Since early in 1928.

Q. As a barrister?—A. As a barrister.

Q. Did you, on the 4th April, 1928, apply to the Beauharnois syndicate for 800 part interests?—A. I did.

Mr. STEWART: What is the date?

Mr. WHITE: The 4th April, 1928.

By Mr. White:

Q. And did you then forward with your application a cheque for \$15,000?—A. I did.

Q. Being one half of the amount at which the shares were purchased?—A. That is correct.

Q. Did you purchase them for yourself or for somebody else?—A. I purchased them for a client.

Q. For whom?—A. Winfield B. Sifton.

Q. Who furnished you with the money?—A. My client, Mr. Sifton.

Q. Then, was further cash paid on them?—A. Yes.

Q. When?—A. On the 18th of May, or approximately that date, a similar amount, being the balance of the purchase price of the 800 part interests.

Q. When was that?—A. On the 18th of May, I think it was.

By the Chairman:

Q. The same year?—A. The same year, yes sir.

Q. What was the balance, \$15,000?—A. \$15,000.

By Mr. White:

Q. Were the share certificates sent to you?—A. They were, eventually; not for some time after that. I am afraid that I cannot tell the date of the receipt, but I did receive the share certificates some time later.

Q. Then I understand that on the 4th April, 1928, you were an original subscriber of the Beauharnois Power syndicate for one share?—A. I was. That I subscribed to as a qualifying share, because I was at that time a syndicate manager. I paid for that one part interest, \$100 of my own money.

Q. And on the 18th May, 1928, you applied for 1,600 shares of the Beauharnois Power syndicate?—A. Yes sir. Did I understand you correctly, Mr. White, to ask me whether one part interest was in the Beauharnois Power syndicate?

Q. Yes.—A. That is what it was.

Q. Yes?—A. Yes.

Q. It was just being formed on that day, I understand?—A. I think so, yes.

Q. And then, you did apply, on the 18th of May, for 1,600 shares in the Beauharnois Power syndicate?—A. Yes.

Q. Then the shares for which you did subscribe in the original syndicate or the Beauharnois syndicate became 1,600 shares?—A. Yes.

Q. Which left you with 3,201 shares?—A. That is correct.

Q. With a liability of \$160,100?—A. Well, 1,600 of the shares were fully paid for.

Q. That is, you paid in \$160,000?—A. The amount I subscribed for, if I had paid for them, would have been \$160,000.

Q. The liability which you were assuming was \$160,000?—A. Yes, I suppose that is what it works out to.

By Mr. Lennox:

Q. Did you have 3,200 altogether?

Mr. STEWART: We are getting this mixed up.

Mr. WHITE: He had 3,201 altogether.

The WITNESS: I had 800 of the Beauharnois syndicate, which became 1,600 when fully paid for. That is what I was entitled to subscribe for.

Q. For yourself?—A. I had for my client 1,600 shares, and the one part interest that I had—

Q. Of \$100— —A. \$100, which I subscribed for and paid for in my own money, a part interest qualifying share because I was a syndicate manager.

Q. That left you with 3,201 shares?—A. Quite.

Q. With a liability of \$160,100?

By Mr. Lennox:

Q. What I was wanting to find out, for whom were the second 1,600 shares bought?

Mr. WHITE: He says they were bought for his client.

By Mr. Lennox:

Q. The same client?—A. Oh, yes, quite.

By Mr. White:

Q. Then, you paid I understand, on the 1st of June, a call of 10 per cent, or \$16,000.—A. I am not sure of the date, I did pay that amount. My cheque was issued on the 26th of May, but it probably reached the company on the 1st of June.

Q. Leaving a balance owing of \$144,100?—A. Yes.

Q. Then, on the 2nd of October, you transferred 1,600 shares to Mr. John P. Ebbs?—A. I am not sure of the date, but I did transfer that amount.

Q. Transferred the two lots, that is 1,600 fully paid and 1,600 partly paid upon which there was—and which were at the time all paid for. Did you pay for them?—A. What is that, sir?

Q. When you transferred them to Mr. Ebbs, they had been fully paid?—

A. 1,600 had been completely paid, as I said a few moments ago. On the second 1,600 I had paid on the 26th of May, \$16,000. That was all I ever paid on the second 1,600 part interests.

Q. I see—A. I transferred to Ebbs—

Q. I see you paid cash on the 15th October, \$100.—A. For my own qualifying part interest, yes.

Q. That is the share which had been issued to you and for which you subscribed on the 4th of April.—A. Yes.

Q. Which left you owning or interested in—A. No, Excuse me—I do not think I subscribed for that one part interest on the 4th April, but I may have done.

Q. You were the original subscriber, were you not?

Mr. STEWART: He said the 4th April, 1928.

The WITNESS: That is correct, it was the 4th April.

By Mr. White:

Q. So that you were left on or after the 15th October, 1928, with one share?—A. With one part interest, and had divested myself of everything else.

Q. Which you had paid for?—A. Yes.

Q. On whose instructions did you transfer these interests to Mr. Ebbs?—A. On instructions of my client, issued to me in his lifetime.

Q. When did he die?—A. On the 13th June, 1928.

Q. That was before this transfer?—A. Yes.

Q. And how were the instructions issued to you?—A. That is a question, Mr. White, which raises a problem to which I have given a good deal of consideration, and on which I should like to have your opinion and that of the chairman and the legal members of the committee, if possible. When I was retained by Mr. Sifton, he clearly defined our relationship as that of solicitor and client, and I accepted it as such. I had no reason to—

By the Chairman:

Q. He defined it as being what?—A. He said,

I am your client, you are my solicitor. I want you to invest certain monies for me.

In effect he said that. And his instructions from that point on, I think are privileged. I would be very happy to tell everything I know about what his instructions were, and how I carried them out, but the chairman earlier in this inquiry defined the principle of privilege, and very properly, I think, pointed out privilege rests with the client. My client is dead. The courts have decided that where a client dies the privilege carries on, and whereas with a personal privilege the estate cannot release the privilege.

By Mr. Mackenzie:

Q. It can only be done by a competent legal authority?—A. Competent legal authority. Now, with deference, Mr. Chairman, I think that is the position in which I find myself. In connection with the principle, that the death of a client does not destroy the privilege, I quote a Privy Council decision, Bullivant vs. the Attorney General for Victoria, 1901 Appeal Cases, page 206. So, as I say, while I should like to be free to convey to the committee all that my client told me, and all I did in pursuance of his instruction, I do not think I am free to do so.

Mr. WHITE: That is a very easy way, Mr. Chairman, to seal the mouth of a man.

The WITNESS: I am reluctantly sealed, sir.

Mr. WHITE: Following that, I can go into any kind of a transaction and go to a solicitor and say, You are my solicitor, and I am your client, and what I say to you is absolutely privileged.

Mr. LENNOX: You draw a distinction, then, between a question entirely of law. If a man goes into a matter of legal work of course, I cannot disclose anything he tells me without his permission.

Mr. WHITE: Quite so.

Mr. LENNOX: Where it is a business, probably a broker, and a man comes into you and says,

I want you to buy so much stock—

Mr. WHITE: You are my solicitor.

Mr. LENNOX: I say to you,

You are my solicitor,
there is a question in my mind whether that comes under the question of privilege or not.

By Mr. White:

Q. Did you ever render a bill for these services?—A. I was paid, yes, by Mr. Sifton, an appropriate fee, I think.

By Mr. Lennox:

Q. You did not give him any advice, or anything; you merely acted the same as if he had gone into a broker's office?—A. No, I do not think—

Q. Excuse me. You merely acted the same as if he had gone into a broker's office and asked him to buy so many shares of stock?—A. No sir. It was a lot more to it than that. His instructions were quite detailed and involved a good deal more than my simply standing in his place and making an investment for him.

Q. Had he made up his mind to purchase when he came to your office, or purchase through your advice?—A. He came to me to act as his solicitor in connection with the purchase, to which he had decided—

Q. He might have gone to anybody else, or to any solicitor?—A. He might have done, but he did come to me, and I still feel that—

Mr. LENNOX: I think it comes down to a question whether this is within the category of the solicitor's work.

Mr. MACKENZIE: Who is going to decide that?

Mr. LENNOX: I do not know.

Mr. MACKENZIE: Did not the solicitor himself decide that?

The WITNESS: That is my position. I have not rested upon the matter of my own judgment, I have consulted counsel, and good counsel, I think, and my opinion has been confirmed. If a superior court could relieve me, I should be very happy, but failing that I do not see what else I can do than take the position that I am taking.

Mr. WHITE: Frankly, Mr. Chairman, I have not had an opportunity to look into it. I do not want to press the violation of a well known principle of evidence. As I see the matter now, I would have no hesitation whatever in advising the committee that this is not the kind of thing that is privileged, but in order to be sure about it, I would like to look at the authorities, and thoroughly satisfy myself before pressing it.

Mr. MACKENZIE: That is fair, Mr. White.

The CHAIRMAN: I have not had the opportunity to look into that question for a great many years.

Mr. LENNOX: There must be some authority.

Mr. WHITE: What is the case you cite?—A. This is the case that states that the mere fact that a client is dead does not destroy privilege.

Mr. LENNOX: There is no dispute about that.

Mr. WHITE: There is no question about that.

The CHAIRMAN: The question in my mind is this; What kind of communications from a client to a solicitor carry with them that privilege? Merely because a person comes to me and says "You are my solicitor and I am your client," to my mind would not be conclusive as to fastening the privilege on that communication, that may pass between us, if it were not of that kind and character that is contemplated between solicitor and client.

Mr. WHITE: De facto.

The CHAIRMAN: I frankly confess I have not looked into the matter for a long time, and I would not care to make a decision.

Q. Is there anything you need to withhold? Is there anybody to be hurt by that?—A. Conceivably, yes. I do not know anybody would be, but putting myself in the position of my client, I can imagine he might object, and if there is any possibility that he would object, if alive, certainly I am not free to decide for him in his death.

By Mr. White:

Q. Do you know who his executors are?—A. No, I do not.

Mr. MACKENZIE: The estate has not the right to release privilege.

The WITNESS: If privilege exists, as I imagine it does, it is a personal privilege.

Mr. WHITE: I quite appreciate that.

Q. Do you know who the solicitors were in Ottawa, if any, who took out letters probate, or letters of administration?—A. No. I imagine it was done in Toronto. I do not know.

By Mr. Lennox:

Q. Were you his solicitor in any other transaction, save those two?—A. No.

Q. Is there any reason why he should go to you, if at all, rather than through his solicitor or broker?—A. I do not know who his solicitors—he and I have been friends for twenty years; I was living and practising in Ottawa, and this matter had to do with operations centering in this part of the country, Montreal and Ottawa. He may have had reasons dependent upon those circumstances, but I do not know what they were.

Q. Did he give you any reasons for going to you?—A. No.

Q. To buy these shares?—A. No.

Q. To act for him in the purchase of these?—A. No.

Q. He has not done any business with you since, as solicitor?—A. Well, he died in the midst of this operation.

Mr. WHITE: I am afraid, Mr. Chairman, that I will have to look into it, and ask Mr. Moyer to come back when the matter is looked into.

The CHAIRMAN: Would you pursue Mr. Moyer's examination as far as Ebbs is concerned?

Mr. WHITE: It is covered pretty much by the same objection.

The CHAIRMAN: No.

By Mr. White:

Q. You told us that you transferred those shares on instructions that you had received from Mr. Sifton?—A. From my client, Mr. Sifton, yes.

Q. You transferred them sometime after his death?—A. Yes.

Q. You told us he died when, I did not get the date?—A. The 13th June, 1928.

Q. When were the instructions given to you?—A. I do not recall the date; it was not long before that, because there were no instructions at all, I remember, at that point for some time after I had been retained, but I was with him on one occasion, and he had a serious illness, a heart attack, I think, and there was some doubt whether he would survive it. It proved to be very severe, and brought to his mind—I remember he said so at that time—that he would have to provide for that matter if he passed out suddenly, as he did. I do not know how long it was before his death, but it was not very long.

Q. Mr. Sifton was also a solicitor?—A. Yes.

By Mr. Lennox:

Q. Was there any reason why he could not purchase them direct, without going to you?—A. I don't know. He did not give me his reasons for doing it the way he did.

Q. What would cause the delay between the time you received instructions and the time that you actually transferred to Ebbs?—A. That delay resulted from my carrying out the instructions, certain instructions which I have given in the objection that I took a moment ago.

Q. You were not instructed by the executors?—A. No, I do not know who his executors are.

By Mr. White:

Q. Do you know whether these shares formed part of Mr. Sifton's estate?—A. I do not know that.

By the Chairman:

Q. What was the significance of the date, October 2, 1928?—A. There was no significance attached to it that I know of, but certain events connected with his instructions culminated at that time.

The CHAIRMAN: Mr. White, I think you had better look into the law on the question of privilege in respect to the question of this evidence.

Perhaps you can go this far, Mr. Moyer. Your relationship with Sifton in connection with this purchase of shares, as I take it, in time called for you giving him no legal opinion in connection with it?—A. I would not say that it did not, sir. On more than one occasion he discussed his legal position in connection with the matter, and we discussed it together, and I expressed my opinion and gave him what little advice I could.

Q. He was in doubt as to the legality or the illegality of the position he was taking?—A. I would not say that. The discussion on the legal position, I do not mean to imply any doubt or any suggestion of any illegality in what he was doing; otherwise I should not have been associated in what took place.

Q. Your advice, I assume, would be concerned with the soundness of the investment?—A. To some extent, yes, sir.

By Mr. Lennox:

Q. How much money did Ebbs put in on the transfer of stock?—A. Ebbs did not pay me. The only money that I had anything to do with, in the whole transaction, was the receipt from Mr. Sifton and the payment to the Marquette

Investment Corporation of the \$15,000, and \$16,000 and the \$100 for my own part interest.

Q. Did you deliver the shares transferred to Ebbs—A. Yes.

Q. What was said about payment?—A. Again, sir, I cannot—

Q. He is not your client, so you can tell us that?—A. My client's instructions implied a provision which was carried out whereby I should receive authority to do a certain thing, which I did; when the authority was given to me the thing was to transfer to Ebbs.

By Mr. White:

Q. Who gave you the authority?—A. I cannot answer that question. That is a—

Q. That is not a communication from your client?—A. It certainly is.

Q. Something that somebody else gave you or your client?—A. Well, I—

Mr. LENNOX: What was the question?

Mr. WHITE: Who gave him the authority to transfer? He said he had received instructions from a certain authority to transfer the shares, and I have asked him who gave him the authority. It certainly was not his client.

Q. It could not be a communication from your client?—A. My client gave me authority to make a transfer when certain things had happened in the meantime, when I should receive certain instructions. I received the instructions from Ebbs.

Q. And the authority that you speak of?—A. The advice was from my client. Ebbs had obtained it from my client.

Q. Who gave you the authority? You used the word "authority"?—A. I might have conveyed the wrong impression. I meant that the message which formed my client's instructions came to me from Ebbs. I might say—

Q. Did you get a receipt from him?—A. No, I did not need a receipt, because he was taking over all the obligations involved. The relationship between myself and my client was decidedly one of mutual confidence.

Q. I know, but how did the estate deal with it?—A. I do not know.

Q. In other words, you were turning over to somebody else an asset?—A. Yes.

Q. Which might very well have been claimed by the estate to have been an asset? In other words, the executors might have considered it an asset of the estate?—A. I do not think that could possibly be so found.

Q. Well— —A. In fact I am sure it could not.

Q. Then, may we imply from that these were not Mr. Sifton's shares?—A. I do not know any reason why they were not.

Q. Either they were, or they were not?—A. I believe that they were.

Q. If they were, then they were part of the estate?—A. No, not when he provided for their transfer in his lifetime.

Q. Well— —A. That is as I understand it.

By the Chairman:

Q. For the purpose of evading succession duty?—A. That did not occur to me, sir; I do not know.

By Mr. Lennox:

Q. Did any money pass into your hands at all from Ebbs?—A. None whatever.

Q. You were paid no cash for the shares?—A. None whatever. I have mentioned the only moneys I had to do with.

By Mr. White:

Q. You did receive a considerable sum of money from the Beauharnois company?—A. Yes. for services rendered.

Q. When did you start to act for them?—A. I do not know the date; it was early in 1928, probably in January, I should think, or maybe February.

Q. 1928?—A. Yes.

Q. That would be before you made the subscription?—A. Yes.

Q. So that we may take this then, that at the time you received the instructions from Mr. Sifton to apply for the Sifton shares, you had already been acting in some capacity— —A. For the syndicate, yes sir.

Q. For the syndicate?—A. Yes.

Q. And who paid you?—A. The Marquette Investment Corporation.

Q. The Marquette Investment Corporation?—A. Yes.

Q. On bills rendered from time to time?—A. Yes.

Q. If I remember correctly you have been paid to date for your services in connection with the syndicate and other company matters, a sum of \$21,000? —A. I have not been—perhaps that is correct, as you stated sir, but that amount covers a lot of expenses and extra office staff, and a great many things like that.

Q. You rented an office for them here?—A. I have an office of my own, and I did some extra work for them.

Q. As a matter of fact, was not their Ottawa office your office?—A. Part of the time sir, yes.

Q. And— —A. I would not say that, no. They did not have an Ottawa office.

Q. You charged them rent for it?—A. For the period in which I had to take extra quarters, yes.

Q. You charged them for stenographic help?—A. I was administering that office though.

Q. In other words, you were an agent here for the Beauharnois syndicate? —A. I suppose I might be so described, yes.

Q. And during part of the time managing the office for which the Beauharnois syndicate paid rent?—A. Yes.

Q. And had stenographers there whom they also paid— —A. Yes.

Q. Salaries of whom they also paid?—A. Yes.

Q. Also the stationery and telegraph and telephone expenses of the office? —A. Yes.

By the Chairman:

Q. Did that relationship with Beauharnois exist before you applied for the 800 units?—A. Yes, it did.

Q. You were acting as their agent?—A. I had been retained by them in January, I think.

Q. How long before that?—A. I think I was retained in January of that year.

Q. January, 1928?—A. 1928.

Q. This W. P. Sifton acted as a solicitor also for the Beauharnois, did he not?—A. He did.

Q. And Col. Victor Sifton also acted?—A. I do not know that.

Mr. WHITE: I suppose the old maxim still holds good, solicitors for the same thing are solicitors for one another.

By the Chairman:

Q. Do you know how many solicitors they had?—A. In Ottawa they had two or three firms.

Q. Two or three firms?—A. Yes.

Q. I think probably acting as their agents?—A. I am not sure. I know one of their solicitors gave evidence before the committee the other day, and I believe another has been subpoenaed.

Q. Col. Thompson?—A. Yes.

By Mr. Lennox:

Q. Was Sifton solicitor at the time you bought these?—A. Oh yes.

Q. At the same time?—A. He was at the time of his death, I understand.

Q. It seems rather strange, when he himself was solicitor for the company, that he should?—A. He once was good enough to say I was one of the few people he could trust.

Q. He could trust himself, couldn't he?

Mr. WHITE: That is quite a compliment to pay to one who has been a secretary to the Prime Minister, I should say.

WITNESS: Thank you, sir.

Q. On the 25th April, 1928, Mr. Moyer, you appear to have been paid the sum of \$318.67. My people inform me that there is no voucher for that. Do you know anything about it?—A. I do not recall it, no.

Q. Then, on the 20th June, 1928, appears a payment to you of \$2,000 for which there is no voucher. Was that on account of services and expenses?—A. I think it was, but I do not recall that date. I was working on a per diem arrangement. I think very likely that was fees and disbursements.

Q. You also had a retainer, did you not?—A. At the start, yes. Later on it was an arrangement per diem.

By the Chairman:

Q. As agent for the Beauharnois company in Ottawa, what, generally, were your duties?—A. I was acting as a departmental and parliamentary agent, which is the general term that applies in many services.

Q. When did you start, in January, 1928?—A. January, 1928, yes sir. I was also, as all associated with the company were convinced, of the merit of the proposition, and consequently, I should not say "consequently", but I was also convinced of the merit of the St. Lawrence waterways; and among my duties which called for the extra stenographic help and so on, was a certain amount of distribution of literature and educational work along that line, pointing out the St. Lawrence waterways proposition was a good thing, and the Beauharnois project as a potential part of the general scheme was also a good thing. There was no subterfuge about it.

Q. No, do not misunderstand me about that. There is no suggestion that there was. But it appears that the public seem to be loath to agree with the project, without a good deal of circularization, education; that was in the air, was it not?—A. It was necessary or considered necessary to do a good deal of missionary work, yes.

By Mr. White:

Q. I suppose, those who had to be converted, or at least, whom it was most important to convert, were the members of parliament and the members of the executive council?—A. I would not say that, sir.

By the Chairman:

Q. Who were the unbelievers on whom it was necessary to do a good deal of missionary work?—A. The great public, sir; that is why it was necessary to do so much dissemination of literature, and that sort of thing.

Q. It is along that line, then, that you get the great public—A. Yes.

Q. —behind it?—A. Yes.

Q. In order that the pressure of public opinion would be such as to enable the executive council to do what you wanted it to do?—A. I think—

Q. You figure the original consequence of getting the great public opinion with you?—A. I would not say I figured it out in that sequence.

By Mr. White:

Q. Not having had any experience in that line. Well I see here that on December 17th the total amount of fees paid to you was \$21,406.17?—A. That is probably true, I do not recall.

Q. From January, 1928, to December, 1929, \$21,406.17, and that includes, of course, as Mr. Moyer says, fees, rent, and stenographic help.

The CHAIRMAN: I should like you to turn to that question again, in regard to Mr. Moyer's work.

Q. Do you know one convert you actually made to the scheme during your missionary efforts?—A. I am afraid I do not, sir. It is a pretty intangible phase.

Mr. WHITE: Like bread cast upon the water, Mr. Chairman.

By the Chairman:

Q. Did you ever see anyone of consequence in connection with this scheme?—A. Well it depends upon what is meant by "anyone of consequence". I saw a great many people of consequence, I suppose. Whom do you mean? Perhaps you can explain your question better, sir.

Q. Did you see anybody whose conversion will amount to passing the order in council with facility?—A. No, on the contrary.

Q. You did not look for those?—A. No.

Q. You did not interfere with that crowd?—A. Well, I was never asked to approach anyone of that character, and I am quite sure that my humble influence would not have been very great, if I had.

Q. You are too modest. You were just dealing with the proletariat generally?—A. Yes, generally, yes.

Q. Playing no favourites?—A. No. I had no occasion to play favourites, sir.

Mr. WHITE: It is a bad thing to do, sometimes.

By Mr. Lennox:

Q. Coming back to those shares that you handled, and transferred to Ebbs, into whose hands did they finally get?—A. I don't know. I pass out of the picture as soon as I transferred to Ebbs. I ceased at that time to be a syndicate manager.

Mr. WHITE: I will be able to show that.

The WITNESS: I suppose the records of the company will show that. In fact, it is pretty generally known where they went, but I do not know definitely; I cannot say so.

By Mr. Lennox:

Q. Where do you think they went?

Mr. WHITE: Perhaps Mr. Griffith will produce the order that will show to whom the shares were finally transferred.

Mr. LENNOX: I should just like to follow that up.

The WITNESS: I do not mind saying where I think they went, sir.

Mr. FORSYTHE: I think it is already in evidence.

The CHAIRMAN: Where did they go?—A. I understand they went to Senator McDougald. I think it is down on the notes. I think the record shows that.

Mr. LENNOX: The record shows 3,200 of those went to Senator McDougald?—A. Yes.

Q. It does not say they were the 3,200 that belonged to Sifton?—A. I cannot identify them as such, but I think the record will show.

Mr. WHITE: Mr. Chairman, exhibit No. 74 shows this transaction, page 10, item No. 148, John P. Ebbs held two certificates—one at two seventy-eight, I think it is, for 2,000 shares, two seventeen for 1,600 partly paid, and they were transferred to Hon. W. L. McDougald, the amount being \$700,000 in cash, and 208,000 shares of class "A" stock.

The CHAIRMAN: That is 3,600 altogether.

Mr. WHITE: No, that is 5,200, the 2,000 shares being the Sterling matter—the other two being the shares. Until we are able to supply the necessary pry, I suppose we will have to let Mr. Moyer step down.

By Hon. Mr. Mackenzie:

Q. Mr. Moyer, what time did you leave Mr. King's service as his private secretary?—A. I think it was the end of September, 1927. It was within a week or two of that date.

Q. Have you ever since that time discussed any questions in relation to the Beauharnois Project with Mr. King?—A. I have not. Since that time, as a matter of fact, I have not spoken to Mr. King except in a crowd, and then to exchange formal greetings. I have not 'phoned to him or written to him nor has anyone else on my behalf.

By Mr. White:

Q. Was there a coolness between you?—A. I am just answering your question distinctly, sir.

Mr. STARR: White said he was not through with Mr. Griffith the other day, and he asked me to stand down. If you are through I would like to ask Mr. Griffith a question or two.

Mr. WHITE: I am recalling him. I was going to call Mr. Sweezey now, but if you prefer I will put Mr. Griffith in the box.

Mr. STARR: We might as well make it in one bite.

ROBERT OLIVER SWEEZEY, called and sworn.

By Mr. Morin:

Q. You are now the president of the Beauharnois Power Corporation, Mr. Sweezey?—A. Yes.

Q. Before being engaged to this project what was your occupation?—A. A civil engineer by profession.

Q. Practicing in Montreal?—A. Practicing in Montreal.

Q. Since when?—A. Oh, since 1912. Not always as a consulting engineer, but either as a consulting engineer or as an employee.

Q. When did you organize this banking firm of Newman, Sweezey Company?—A. 1921.

Q. Now, we are interested in this Beauharnois project, so we will limit your career to that particular deal. Will you give us the chapter of this romance of your connection with Beauharnois Company when first you were interested in this project?—A. In 1912 I was engaged by the Royal Securities Corporation

as an engineer for the direct purpose of investigating the water powers of western Canada, and that, incidentally, took me later into the investigation of many other natural resources of the country. The further I got away from Montreal the more I realized the importance of the Montreal water powers—the St. Lawrence water powers as compared with the water powers in other parts of Canada. In 1913 I was instructed by Sir Max Aikin, now Lord Beaverbrook, who was then president of the Royal Securities Corporation, to investigate the water power which we now know as Beauharnois.

By Mr. White:

Q. When was that?—A. In 1913. And after a superficial examination, followed subsequently by certain details, I came to the conclusion that this really was the water power of Canada which merited attention—far more than the water powers more distantly removed that I had been giving some attention to up to that time. I reported to Sir Max Aikin, who was then living in London, my findings in this case, and as I recall it, I had further investigated on the whole prospective idea of development. I followed this up with further investigation from time to time, but we were soon into a period when 1914 suggested the difficulties of the world war, and then water powers and their development were forgotten. A couple of times during the war this matter of Beauharnois recurred to me through other directions and other consultations, but because of the conditions at the time, I could not pursue them very far. After the war I maintained a sort of passing interest in it. I was living in Montreal; Beauharnois was close by; and I kept on observing the possibilities of this development. The interest I maintained was at that time reawakened more than at others because I heard of certain interests who were looking into it. Into 1920-21, Mr. E. A. Robert, who was then chairman of the Montreal Tramways, himself spoke to me as to the possibilities of developing this power, and coupling with him certain Boston and New England interests. I followed his interest in the matter, and he, at the same time, was interested, I understand, in the development of the Carillon power on the Ottawa. Later on Mr. Robert's negotiations with the New England people were completely abandoned because of some difficulty in the exportation of power from the province of Quebec to the United States. It then became a policy of the province of Quebec, I understand, not to export power to the United States in any form, except such power as was already under licence. After Mr. Robert's abandonment of the idea of development for export to New England, I heard nothing more of it for two or three years, except in a rather vague way, and what I occasionally had read in the papers. One day Mr. Cantin, who was the chief factotum of the transportation and power company, came in to see me—was introduced by another man, Mr. Bergevin. He informed me that the Transportation and Power and another company called the Great Lakes something or other, then owned the Robert rights. In my investigation of 1913, the Robert rights were the ones which I regarded as the basis upon which this whole development could take place; because I realized there were several factors. First, there was the physical one; second, some sort of legal position from which an operation could base its beginning; and third, there was the financial problem. Mr. Cantin, having informed me that they owned the water power in question, I immediately became interested and said, from the point of view of one in financial business—my house had had up to that time—Newman, Sweezy and Company—several undertakings in the pulp and paper business, and one or two other things—I was interested in producing good sound securities for sale, and I knew nothing better than water power securities, especially the water power in close proximity to Montreal, particularly as I knew something about Beauharnois and figured I had given it pretty ample study with a view to taking a hand in it sometime.

By the Chairman:

Q. This was in 1923?—A. Probably 1925 or 1926. I am not sure about the date of that. Later, as Mr. Cantin kept calling on me, I discovered that his idea was to sell me stock in his company. I always resisted that idea, saying I was interested in having the titles of the property, and I would be willing to make a proposal subject to his being able to deliver the title. I came in contact with Mr. Robert afterwards—and I am not sure just how and when I ascertained this fact—but I discovered that Mr. Cantin and his company did not in any way own control in this company; that they had had an option at one time, but the option was expired.

By Mr. Morin:

Q. But you had a lawsuit; they are suing you for \$10,000,000; it is pending before the Court?—A. Yes. I will come to that in a minute. They endeavoured to belittle this lawsuit, and they gave me a rather confused deal, and immediately I withdrew my interest in the matter. But Mr. Cantin continued to visit my office from time to time, and rather persistently, always with the desire to sell me stock, and at that time offering me stock as low as fifty cents a share, and at that time even desiring to borrow money from me.

By Hon. Mr. Mackenzie:

Q. Was that Cantin senior or junior?—A. Cantin senior.

By the Chairman:

Q. Was there a condition in the lawsuit about the Roberts?—A. The company was—the Transportation and Power or the Great Lakes—

Q. The substance would be specific performance in this expired option?—A. That is what I understood later.

By Mr. Jacobs:

Q. You said that Cantin attempted to borrow money from you. I fancy they were modest sums?—A. Oh, yes, personal. I think at one time he had an idea that the way to settle this problem was to issue a bond issue of a million dollars on the property, get Newman, Sweezey and Company to buy the bonds with which he was to pay off the Roberts. I did not see the force of this argument, because that left Newman, Sweezey, to hold the bonds and nothing to pay the interest on the bonds. In seeing W. H. Robert, who is really the chief executor of the estate, from time to time, I ascertained—although told to the contrary by Mr. Cantin—that the lawsuit was not settled and they were going to fight it to the end, and the Roberts were very bitter against the Transportation and Power Company, and felt they were being hounded on something they had no right to be. Mr. Cantin used to come back to me every so often and he represented always that he had reached a basis of settlement with the Roberts and when I went to the Roberts to find out the settlement, I found there had been no basis reached, and I was very anxious to keep Mr. Cantin away from me. He was taking up a lot of time. I treated him with a certain amount of courtesy, and he abused them. I was anxious to get it into his head that I was only interested if he could deliver the title. I had to write letters to that effect to inform the president to please keep Mr. Cantin away. Finally, the lawsuit went on in the courts. The Roberts won the second and third rounds in the court, and I went to Robert and I said that I was satisfied if Mr. Robert was right that probably his properties could be bought, but there was still the danger that Mr. Cantin and his company might appeal the case to the Supreme Court, which they did. In the interval, which was February 3, 1927, I purchased from Robert personally—

By Mr. Morin:

Q. You are now in 1927?—A. I am now in 1927, February 3. I skipped over rather hurriedly.

Q. I have here a letter dated 1926, which I want to draw to the attention of the committee. I have only a copy of it. Would you please look at it and see if it is a true copy of the original?—A. That looks approximately correct. I do not see any reason to doubt it.

Q. I think I must read this letter to the committee. It is a letter dated October 14, 1926, which I find in exhibit 23, Sessional Paper No. 295. Here is the letter, addressed to Mr. J. Alderic Raymond, Windsor Hotel, Montreal:—

Further to our conversation regarding the St. Lawrence Power project, in which we are both interested, I may say that though I have been familiar with this situation for some twelve years, it is only during the past twelve months that I have devoted some serious attention to the study of the economic possibilities of this one million horse-power development, near the City of Montreal, and on deep water navigation in the St. Lawrence.

Briefly stated, the power site is comprised in the natural fall of eighty-three feet, in the distance of some fourteen miles, between Lake St. Francis and Lake St. Louis. It is proposed to divert by a canal through a clay section of level country on the south shore a minimum of 75,000 cubic feet per second of St. Lawrence water, or a possible maximum of 150,000 c.f.s. The effective working head would be seventy-five feet. In case of maximum diversion and 70 per cent load factor, a development of 1,350,000 h.p. is possible, and at a cost which competent authorities place at not over \$100 per h.p.

To place ourselves in possession of all the rights essential to this undertaking, we should pursue the following course:—

1. Acquire the Robert rights which are fundamental in regard to an initial grant which he holds to divert 40,000 c.f.s. He also holds rights granted by charter to expropriate for the proposed canal route. Numerous other incidental rights are included in his holdings which he is anxious to sell, though he wishes to participate partially in the organization syndicate.

2. Acquire the control of the St. Lawrence Waterways & Power Company stock, which is available to us, and upon which we have already a substantial hold.

3. Enlist with our syndicate two or three individuals, who in addition to providing some cash as their fair share, can assist us in getting our rights extended or enlarged so as to develop the entire available flow of the St. Lawrence at this point. As the whole situation is entirely within the Province of Quebec, our influence has to be exerted only in Canadian political circles—that is at Ottawa and at Quebec.

4. It will probably be advisable to enlist the participation of certain United States interests who for their capital and initiative can be relied upon to absorb some of the power in Quebec Province in connection with some power using industry—similar to the Aluminum Company of Canada.

The promise to use a substantial block of power in Quebec Province will facilitate our negotiations with Quebec authorities, and, further facilitate our exporting of power to the Province of Ontario.

5. The cash to be raised for the early stages of this project for the sole purpose of acquiring and enlarging rights to the extent of 150,000 h.p. diversion will approximate some six or seven hundred thousand dollars. It may take three or four years then before actual development starts.

In connection with personnel of syndicate, I have in mind the individuals we should enlist with us, and although I have been in touch with United States people showing a desire to join, I have hesitated to accept any one definitely until certain that each and every one is persona grata to all others.

I have said nothing about the vision necessary to an appreciation of such a project from an economic standpoint, nor have I touched upon the huge profits that may be expected, as these are matters that the ordinary business man can well picture for himself. I do not wish to minimize, however, the task that presents itself in rounding up and launching such a scheme. The actual raising of the money becomes easy, however, once the physical properties and rights have been gathered in.

Yours sincerely,

(Sgd.) R. R. SWEEZEY.

Q. This letter comes from you?—A. Yes.

Q. From you?—A. Yes, from me.

Q. Would you tell me why it was addressed to Mr. Raymond?—A. Because Mr. Raymond had been one of the men who was interested in the St. Lawrence, and Mr. Cantin had been pursuing him the same way as he had been pursuing me, and Mr. Raymond asked me several times did Cantin have anything really interesting, and was it of value? I told him verbally the conversation Mr. Cantin and I had, and the lawsuit they had; if they won out it might be a good thing, and if they lost it was nothing. He said, "have they a good charter?" I said, "yes, it is a letters patent charter which gives the impression from the reading of it that it might be a safe charter granted by the government." The ordinary layman thought it was a safe charter containing some rights, and so it is confused between that and something not so good. Mr. Raymond asked me what ought to be done; if a few individuals got together to develop the St. Lawrence, how could they get started on it?

By the Chairman:

Q. How long had Mr. Cantin been pursuing Mr. Raymond?—A. For a long time. I do not know just how long, but he told me then of Mr. Cantin. Mr. Raymond told me the way he got into it—that is Alderic Raymond—who was manager of the hotel. Mr. Cantin owed him money and paid him in stock, and that is how he came into possession of the stock.

Q. Now, you said Mr. Cantin pursued Mr. Raymond much in the same way as you described he was pursuing you?—A. Yes.

Q. And you and Mr. Raymond took refuge in the same haven?—A. Approximately.

By Mr. White:

Q. When you say managed the hotel, do you mean the Windsor Hotel in Montreal?—A. I think it was the Queen's, and the Windsor.

By Mr. Morin:

Q. He is the brother of Senator Raymond?—A. Yes.

Q. At that time had you met Senator Raymond?—A. No. I had known him. I had met him once a long time previous. I would not have known him if I had met him on the street.

Q. Did you know he had a talking correspondence with Mr. Alderic Raymond, which was the same thing as having relations with Senator Raymond?

—A. No, not at all, because Alderic Raymond was himself fairly active, and any correspondence with him was merely setting out in writing the result of a friendly conversation at luncheon.

Q. Did you expect to get a subscription from Alderic Raymond?—A. No. After I bought the Beauharnois Company from Mr. Robert, one of the first men I asked to come into my syndicate was Alderic Raymond. I offered him a chance to come in and take 100 shares at \$10,000, and he refused.

Q. In this letter you refer to the opportunity to enlist with your syndicate two or three individuals who in addition to providing some cash as their fair share would lend their influence to be exerted in Canadian political circles. And later on you say, "In connection with personnel of syndicate, I have in mind the individuals we should enlist with us." Will you tell us if you have succeeded in enlisting any of those people that you had in mind at that time?

—A. I find great difficulty, and I do not recall exactly who were the individuals I had in mind, because once I got into this picture the whole plan I had in the early stages dwindled into insignificance compared with the enormity of the task then before me, and the individuals that I had in mind when I wrote that letter—I may say I have tried to recall who they were, and I am not able to recall them—I do not know—because there have been a whole string of them who came to my mind, and most of them shied about putting up any money, and therefore not easy of reach.

By Mr. Jacobs:

Q. They were short on cash?—A. Yes.

By Mr. Morin:

Q. Any way you have succeeded in getting a subscription from Senator Raymond?—A. Yes.

Q. Yourself?—A. Well—

By the Chairman:

Q. What rendered the thing so enormous? I do not follow that?—A. The first difficulty we ran into was that the moment it was known we had purchased these Robert rights which had been for sale for a good many years, every power company and a great many big financial interests directly and indirectly associated with them, became the strongest opponents that could possibly be lined up, and I was at once faced with the alternative of running to cover and losing my money or standing up and fighting them.

Q. So that, having that in mind, the persons whom you had first thought would be strong enough to lend enough influence to help you disappeared into insignificance?—A. Exactly. They ran to cover.

Q. So much so that you do not remember them?—A. I have difficulty in recalling them. I do know I had in mind at the time, and probably that is what Mr. Morin was referring to—I had in mind approaching, among others, Senator McDougald, but when I approached him he also backed away. I did not approach him very diligently, and I did not approach him myself; I got somebody else to do it; but he would not join me.

Q. At any rate, the men you first had in mind that were going to use their influence did not measure up to the job in hand?—A. No. And the first thing we did was to go down to Quebec—

Q. But you still recognized the necessity of using influence?—A. Absolutely. Anybody would be foolish to think—

Q. What heavyweight did you enlist afterwards?—A. Mr. F. P. Jones who was a good fighter and had lots of money—or I thought he had lots of money—and we were just about to start to work the idea out and meet the fighting

opponents of the several power companies I have referred to—there were a few of them, including navigation companies who were very much against us—

By Mr. White:

Q. When did the Dominion Securities Company come in?—A. I had forgotten them for the moment. They came in early afterwards. I do not regard the Dominion Securities as individuals. I was appealing to Dominion Securities not so much from the point of view of their work in building up the basis of this thing as for their ability to assist me in financing. The financing is always a factor comparatively easy provided the legal and political difficulties and the difficulties provided by my opponents were overcome.

Q. Still they came in fairly early?—A. Yes.

Q. And put up money fairly early?—A. They put in \$25,000 fairly early with me. I put in the first \$100,000, and they came, in turn, and took a share of it.

By Mr. Morin:

Q. They were the first partners?—A. Yes.

Q. And Mr. Jones was the third?—A. Mr. Jones came in after they did.

Q. And then you went to Quebec for an amendment to the charter?—A. Yes. The charter had to be amended to make this feasible.

Q. Have you really paid to the Robert heirs one million and a half?—A. In cash, yes.

Q. It was not turned back in any way?—A. It was paid while we were still a syndicate.

Q. It was not turned back; it was paid and kept for them?—A. Yes, it was paid in cash. I presume they have it if they have not spent it.

Q. You went to secure an amendment to your charter?—A. Yes.

Mr. WHITE: Speaking of the date, it was February 3rd, 1927.

By Mr. Morin:

Q. Have you anything particular to say about the date of February 3rd, 1927?—A. No, I do not think so. That is the date I purchased.

Q. From the Roberts?—A. Yes.

Q. And you went before the Quebec Legislature in 1927?—A. Yes. The Legislature had been in session some time when I appeared there.

Hon. Mr. CANNON: I understand that my learned friend is putting that question in order to keep continuity of his story. Should my learned friend, through the witness, investigating anything that might have taken place in Quebec, the responsible body, so far as we are concerned, is the Quebec Legislature, and not this parliament.

Mr. MORIN: I do not want to go into any inquiry concerning the Federal Government and the Quebec Legislature, because, Mr. Chairman, I think we have no jurisdiction at all to enquire as to what happened before the Quebec Legislature. It might be subject to further investigation.

Hon. Mr. CANNON: I would like my learned friend to understand my objection. If he wishes to have the witness state the facts of whatever happened in Quebec, I have no objection; but if he goes further I will raise an objection.

Mr. MORIN: It is not my intention at all.

Hon. Mr. CANNON: Not that I think there is anything to investigate at all.

Mr. WHITE: There is one item I will question.

The CHAIRMAN: If I understand you correctly, Mr. Cannon, you take the position that if this witness cares to tell he may, without objection from you,

about going to Quebec, and getting a Bill passed through the Legislature to change this child, and he can give the date of the Bill, and he can identify the Act that subsequently became law, but you object to him telling about anybody he may have seen in Quebec in connection with the promotion of the passage of the Bill.

Hon. Mr. CANNON: My objection would be for this committee to endeavour to investigate anything for which the people in Quebec would be responsible to an altogether different body.

The CHAIRMAN: I cannot just follow that, Mr. Cannon.

Mr. LENNOX: What was the question that provoked this discussion?

Mr. MORIN: He went to Quebec and secured an amendment to his charter; that is all my question.

Mr. LENNOX: There is no objection to that?

Hon. Mr. CANNON: There is no objection to that.

By Mr. Morin:

Q. And then you were turned down the first time in 1927?—A. Yes. The session had been on for some time when we appeared there, and when we asked for an amendment to our charter we were opposed by a very powerful body of legal talent, and we didn't get a chance.

By the Chairman:

Q. Who, in turn, I presume, were representing powerful financial interests?—A. They were representing powerful financial interests and power companies.

Q. Who were your apponents?—A. Mr. Montgomery was a successful one.

The CHAIRMAN: I can understand how you failed.

By Mr. Morin:

Q. At that time who were your partners?—A. We had a very small group. Mr. Jones, Dominion Securities, Newman, Sweezey, with a few of the friends whose names I do not recall but who constituted the members of this first syndicate. At that time I do not know whether all of the members of this syndicate were in; some of them came in later.

By the Chairman:

Q. You had pretty fair counsel yourself with Mr. Geoffrion?—A. Yes, pretty fair counsel.

Q. He succumbed also?—A. He was representing us, and he had agreed that we would abandon our application and tell them that we hoped to come back next year, which we did.

By Mr. Morin:

Q. Next session you came back with the same rights and the name reason?—A. The same reasons, only that we had had time to explain our ideas a little more to the engineering department and the Water Powers Branch in Quebec.

Q. But you had no more rights than in 1927; you had acquired no further rights?—A. No. Except we may have acquired some land. I do not question the rights; it was the Robert charter and whatever rights he had.

Q. Do you remember the date when you succeeded in interesting Senator Raymond?—A. I do not. I think we would have to depend on the record for that.

Q. Was it before the second session—before your second trip to Quebec?—A. I do not recall.

Q. I understand that you went back during the winter of 1928?—A. 1928, yes. I am inclined to think it was after that Senator Raymond came in. I am not sure. I do not know.

The CHAIRMAN: Have we not got the date? Mr. Griffith, have you got the date when Senator Donat Raymond came into this deal?

Mr. GRIFFITH: I have no personal knowledge. Senator Raymond's name does not appear—.

Mr. MORIN: I will get it. Give me the date of the Credit Generale du Canada.

By Mr. Morin:

Q. Well, Mr. Sweezey, I have here the stock book of the first syndicate, and I have the account of the Credit Generale du Canada. There is a letter of application dated the 26th March, 1928, applying for 800 shares?—A. Yes.

Q. \$30,000?—A. Yes.

Q. Now, will you tell me if the Credit Generale du Canada subscribed for those or somebody else?—A. I take it they were subscribing for somebody else.

Q. For whom?—A. I am not absolutely certain but I know Senator Raymond may have been in it and probably some friend of his whom I took to be possibly Mr. Timmins and, as regards that, I am speaking from what I assume without any definite knowledge.

Q. Had you any personal communication with Senator Raymond at the time?—A. I did not, but Mr. Jones had a talk with Senator Raymond two or three times. Mr. Jones, you must remember, was actively engaged with me in the effort to get this in shape for developing and finance.

By Mr. White:

Q. Did Senator Raymond go out with Jones?—A. Yes. They understand he was one of the ones whose shares were combined with those of Mr. Jones.

By Mr. Morin:

Q. Was this subscription secured through Mr. Jones or yourself?—A. I would say more through Mr. Jones than myself. I did not have much to do with it.

Q. Did you understand at the time that Senator Raymond was personally interested?—A. Yes, I thought so. I had not any definite proof.

Q. But that was your understanding?—A. Yes.

Q. I am informed by Mr. Griffith that before this date of March 26, 1928, you had in your banking house an application from Credit Generale du Canada many months before that?—A. I do not remember that. I could only go by the books. I would certainly find it impossible to remember incidents of that kind.

Q. Who is going to give us the information about it?—A. Mr. Griffith.

Mr. MORIN: Mr. Griffith, will you come here, please.

Mr. WHITE: It is in a memo which is over at the hotel, but he thinks it was in 1927.

Mr. GRIFFITH: Oh, yes. I can give as a definite fact that the Credit Generale du Canada cheque reached us sometime in 1927.

Mr. MORIN: You are positive of the fact.

Mr. GRIFFITH: There is no doubt about it.

Mr. MORIN: Have you any information whether or not Senator Raymond was connected with this subscription for 1927?

Mr. GRIFFITH: That was the assumption which I had.

Mr. MORIN: What kind of an assumption, what made you believe so?

Mr. GRIFFITH: I got it from information.

Mr. MORIN: From what source?

Mr. FORSYTHE: I wish Mr. Morin would let Mr. Griffith answer, so that I can hear him.

Mr. GRIFFITH: I think the thing that led me to assume that would be the fact that when we made the second call on Credit Generale du Canada I asked Senator Raymond for instructions or for advice in respect to whether or not they would meet that call and he advised me they would. I think that is sufficient for me to assume—

Mr. MORIN: Why did you inquire of Senator Raymond about this subscription?

Mr. GRIFFITH: I am afraid I cannot give you definite information. I had a feeling in my own mind from something that had been said to me previously—but it is not admissible as evidence—that Senator Raymond was interested in the Credit Generale du Canada application.

Mr. MORIN: Had Mr. Jones reported that to you?

Mr. GRIFFITH: He may have or he may not. I do not like to state definitely that it was Mr. Jones.

Mr. MORIN: But Senator Raymond seemed to be interested in the scheme at the time.

Mr. GRIFFITH: That he looked on it as a speculative venture and that he might put a few dollars into it.

Mr. MORIN: Was he inquiring about your progress?

Mr. GRIFFITH: Yes, I think probably about once a month he might give me a telephone call to ask how things were going.

Mr. MORIN: And that is the only connection he had with your company, through this subscription of Credit Generale du Canada.

Mr. GRIFFITH: Yes.

Mr. MORIN: Any others?

Mr. GRIFFITH: You are asking me to state things which I do not know.

Mr. MORIN: Well, as far as you know.

Mr. GRIFFITH: As far as I know.

Mr. MORIN: You did not hear that he had any other subscriptions in your syndicate other than this one.

Mr. GRIFFITH: I think I made some reference to Mr. Lefebvre, but I said I could not give any evidence about it.

Mr. MORIN: Now, those shares were disposed of.

The WITNESS: May I interject here, you are questioning—

Mr. JACOBS: What is this, a double-ring circus?

The WITNESS: In your questioning of Mr. Griffith you bring something to my mind. I did have a talk with Mr. Raymond on this thing, and I remember him saying to me—it must have been some time after he was in—I asked him why he did not come right out with it and he replied that he had often gone into things which, in their early stages, he was uncertain as to whether they would make good or not, and if he was then followed by his friends who put their money into the thing and it did not make good they might lose their money. He said the fact that he had been in the Construction Power had something to do with it and he did not want his name going into it for the same reason. There was one reason, the thing did not make good and he was more or less

ashamed of being in it. He did not want to have his name mentioned in connection with this project until he was sure he did not have to be ashamed of it.

By Mr. Morin:

Q. Is it not a fact, that he discussed with you the propriety of giving you his name, he being a Senator?—A. It was not the fact of that at all, because I consulted with my lawyer, Mr. Geoffrion, at the time, and Mr. Geoffrion's answer to me was, as to the propriety of a Senator being in, that we were the grantees of the province of Quebec and as such it was not improper for a Senator to own shares in a matter of this kind but, as I said, "Is it not so that we must go to Ottawa for it," and he said "you go to Ottawa under the Navigable Waters Protection Act," which seemed to carry some sort of a—

Mr. WHITE: Halo.

The WITNESSS —Halo that I at the moment did not understand. But later I understood it more clearly and understood what he meant.

By Mr. Morin:

Q. This happened in what year?—A. I am not sure, 1927 or 1928. I don't know.

Q. Was it before your first trip to Quebec?—A. No, I do not think so. It must have been—

Q. A long time after you secured the Robert heirs' rights?—A. I think I would only be guessing. I am not sure.

Q. Now, what happened to those shares of the Credit General du Canada? He subscribed for 800 shares and he paid them in full, I understand, Mr. Sweezey.

The CHAIRMAN: How many shares?

Mr. MORIN: 800 shares, Mr. Chairman, for \$30,000.

The WITNESS: Yes.

By Mr. Morin:

Q. I understand they were paid in full?—A. Yes.

Q. What happened to those shares?—A. Well, they followed the same course, the same as the other shares of the syndicate.

Q. Well, the second syndicate was formed?—A. Yes.

Q. And did he sell those shares with Mr. Jones?—A. When Mr. Jones sold out he was one of the parties who had given a proxy to Mr. Jones and he felt, as he was backing Mr. Jones that he should go out as well when he went out.

Q. Had he given a proxy in the name of Credit General du Canada?—A. I understand so.

Q. Did you understand at the time it was in favour of Mr. Jones?—A. Yes.

Q. And did you buy those shares from him of the Credit General du Canada?—A. No, I bought from Jones. The shares I got came from Mr. Jones, and Mr. Raymond's, or the Credit General du Canada, or who's ever they were, went to Mr. Jones before they came to me.

The CHAIRMAN: Is that all the shares the Credit General du Canada had?

Mr. WHITE: That became sixteen.

The CHAIRMAN: Is that all they held?

The WITNESS: I do not recall. If they started with eight it would be the same, it would become sixteen, and if they bought another sixteen it would be thirty-two.

By Mr. White:

Q. Of course, Senator Raymond got on the 17th of October, 1929, 350 part-interests from W. G. Mitchell?—A. I think that was a subsequent purchase after he sold out. I think he sort of felt that he might better be in it again.

Q. Getting pretty close to the 17th December, was it not?

Mr. JACOBS: What is the 17th December?

Mr. WHITE: The division of the syndicate's interests.

The WITNESS: I think Mr. Raymond felt that being a Quebecer he ought not to have sold out entirely, and I think he bought another 350.

By Mr. Morin:

Q. Is he still one of your shareholders?—A. I do not know. The shareholder's book would show that. I do not know whether he is or not. He might be a shareholder and they might not be in his name. They might be in the name of brokers.

The CHAIRMAN: Then, Mr. Morin, you were on the second trip to Quebec when you were interrupted.

By Mr. Morin:

Q. Then you had a second trip to Quebec?—A. Yes, that was in the winter of—

Q. And there you were successful in securing— —A. We had a very long fight there. We wanted an amendment to our charter.

By the Chairman:

Q. What was the question of the amendment to your charter?—A. Why, the charter gave us the right, whatever rights it had, to dig a canal and divert water from Lake St. Francis to Lake St. Louis, and we were obviously limited to the flow of the river for the quantity of water which we required, and which could not take care of 40,000 cubic feet. Consequently, we have to have the word "river" changed to the word "lake," and in doing so we were able to alter the direction of the canal so that the power house end of it would be on Lake St. Louis where we could build a decent power house.

Q. Where it is presently located?—A. Where it is presently located.

Q. And that is what the fight was about?—A. That is what the fight was about.

Q. Why was anybody objecting to that?—A. The power interests of Montreal, and the financial interests who were not in with us thought they should have it, I presume, or if they could not have it they did not want somebody else to have it. But the point that struck me was that here was the greatest opportunity for development in proximity to the city, and it was a huge undertaking—

Q. How did you block their opposition at Quebec?—A. Well, there was a feeling at the time, perhaps, that there might be too much of a power monopoly. I did not know what the idea was; but we thought it would be a good thing for the province of Quebec to develop that water-power in proximity to Montreal, that here was one of the greatest water-powers in the world, at tide water, so to speak where industry could be attracted from any part of the world and in which we could compete with anybody in the world, so far as manufacturing is concerned, and beat the world on cost. It was up to the province to use this and proceed with the development for the good of the province of Quebec and incidentally for the country at large.

Q. Was the opposition a sustained one at Quebec?—A. Very sustained and very bitter.

By Hon. Mr. Mackenzie:

Q. Where did this fight take place, in the Private Bills Committee?—
A. Before the Private Bills Committee, and in the assembly and also before the Upper House. The province of Quebec, as you know, has a Senate as well as an assembly. In the Lower House I may say that our bill was passed on a vote of 51 to 10. In the Upper House it was unanimous after a bitter fight.

By the Chairman:

Q. Were the interests that were opposed to you then at Quebec ultimately the interests that joined with you in the main?—A. No, not entirely; but I think the interests that joined with us in a rather modest way afterwards, or rather in a comparatively modest way, may have helped to remove some of the other objectors and fighters, although I know they are not entirely removed.

Q. In your trek to Quebec a second time, did you still have in your mind the necessity of enlisting men of influence in order to get your charter through?—A. Not so much then because I felt, having such a substantial support from the province of Quebec, and bearing in mind that I was advised by my legal advisers that the water-powers belonged to the province, undoubtedly it would be much easier to carry on otherwise than it would have been a year sooner. But I soon found a lot of other difficulty, and found it was much easier to oppose a thing than to develop it, that one man opposing would be worse than 100 other men trying to build.

By Mr. Morin:

Q. I understand that by this amendment you had the right to build a canal of 6 arpens?—A. Yes, that is about 1,100 feet.

Q. About 1,000 feet?—A. About 1,100 feet.

Q. So then you got from the Lieutenant Governor in Council of the province of Quebec your lease?—A. Yes, for 40,000 cu. ft. a second.

Q. So that you were ready to proceed to Ottawa?—A. Yes. Meanwhile, we were buying property. The reason that we did not apply immediately for the widening of our expropriation powers was that we felt we could buy the property without expropriating, which we eventually did. We bought a much wider strip than the 6 arpens. In fact, we bought a strip nearly two to three miles wide, and the reason for buying such a wide strip was that in the location of the canal we had to have some variation in order to take the best route with the lowest cost excavation.

The CHAIRMAN: I do not want to anticipate you, Mr. Morin, but I would like to ask just one question. Substantially, you went down to Quebec to take the word "river" out and substitute the word "lake"?—A. Yes.

Q. And that fixed up the east end?—A. Yes.

Q. And you came back to Ottawa to fix up the other end going out to Lake St. Francis?—A. Yes.

Q. The old feeder canal was no good to you?—A. The old feeder canal was no good to us. It was just the original grant, that was all.

Q. So you are coming back to Ottawa then to fix up the Lake St. Francis end?—A. To secure the approval of the remedial works that would be necessary to maintain the level of Lake St. Francis, and otherwise put in remedial works in the rapids so that the Rapids King and Queen could run as usual, and also to maintain the level in the Soulanges Canal so as not to interfere with navigation. This in turn necessitated a number of engineering works both at the outlet of Lake St. Francis and down the rapids a piece for the purpose of one-way navigation.

Mr. FORSYTHE: Will you permit me to interrupt for a moment, Mr. Chairman? I am sure you want to have the record clear. It is quite obvious that when the amendment to the charter was acquired at Quebec that the words "or on Lake St. Francis"—I am reading from page 9 11A, at the bottom of the page, on the third line, the words "or on Lake St. Francis" and if you compare that with the original 11A at the top of page 8 it read "from any point on the Feeder mentioned in section 9 of this Act." Then the words "or on Lake St. Francis" were inserted in the second amendment, so that they did obtain from the province of Quebec the right to change the intake. That was obtained in the first amendment, by the way, as Mr. Montgomery points out.

By Mr. Morin:

Q. So you began your trips to Ottawa in 1928, having all those rights and papers with you?—A. Yes.

Q. Then will you tell us what you did in Ottawa. Did you try to secure the approval?—A. Why, we wrote an application. That was prepared by our solicitor, Mr. Geoffrion, and we filed it in the proper departments in Ottawa, and then I went—

Mr. WHITE: It is quite confusing, Mr. Chairman. The first application to Ottawa, was in March, 1927. The second was in January, 1928. If the witness had those dates in his mind perhaps he would be clear.

The WITNESS: I find it very difficult to remember dates.

Mr. WHITE: That is why I am prompting you, Mr. Sweezey.

The WITNESS: When it comes to a matter of dates, a matter of record, I would much sooner rely on the Secretary Treasurer who has all those in order, because that is three years ago now, and trying to remember them will only confuse my other evidence in this matter. But in substance, whether it was the first or second date that we appeared in Ottawa, our necessity was to have our plans approved under the Navigable Waters Protection Act. I don't know just what happened, but it took months and months.

By Mr. Morin:

Q. Before pressing your request too much, Mr. Sweezey, did you secure any subscriptions from Ottawa people?—A. No, I do not recall.

Q. When did you get Mr. Moyer's subscription?—A. That brings it down to a point now. The late W. D. Sifton was a lawyer who used to be with me in the Royal Securities years ago in a department that I was at the head of, engineering, and about this time I met Mr. Sifton, and I knew absolutely nothing about the ramifications and doings in Ottawa, or politics or politicians, and I thought perhaps—

By the Chairman:

Q. Just give us that again.—A. I knew nothing about politics or politicians.

Mr. WHITE: He said ramifications.

By the Chairman:

Q. The letter you wrote to Mr. Raymond a year or two prior to that would seem to indicate you had a rather clear view of politicians.—A. I beg your pardon, Mr. Chairman. I meant in that letter I knew those difficulties would have to be encountered but I did not know just how to encounter them, and I had Mr. Sifton with me at that time to advise me on how to get along without doing something that might be foolish. I did not know how to proceed, and Mr. Sifton was a lawyer, and in discussing with him from time to time he suggested,

or I suggested—I don't know which it was—that it might be a good thing to get Senator McDougald in.

By Mr. Morin:

Q. What year was that?—A. That would be in 1928.

Mr. WHITE: Oh, no, there was a subscription in 1927.

Mr. FORSYTHE: Who subscribed in 1927?

By Mr. Morin:

Q. You had him as your lawyer at that time?—A. Yes.

Q. Well, we have a note here that his services began on September 17, 1927?—A. Mr. Sifton's?

Q. Mr. Sifton's?—A. Yes.

Q. He died in the spring of 1928?—A. He died in June, 1928. Well, it was some considerable time after he had been with me that we discussed getting Senator McDougald interested because we felt that he had some money, and he might also be of some help to us.

By Mr. Jacobs:

Q. He was Chairman of the Montreal Harbour Board at that time?—A. Yes. Well, Mr. Sifton saw Senator McDougald, I did not, and he came back with the answer that the Senator could not become interested, that there was some obstacle, and that he was on a committee that had to do with the St. Lawrence, and he did not advise me to pursue the thing any further.

By the Chairman:

Q. What year was this?—A. This was well on in the winter. Mr. Sifton had been discussing this matter with me for some months. I don't know just when.

Q. Probably in the winter of 1927. Sifton died in June, 1928?—A. Yes. Well now, it was either in the early Spring or that Winter that he saw Senator McDougald and reported to me. He told me, however, later on that he would like me to put 800 shares in the name of Clare Moyer.

Q. Who was this?—A. Mr. Sifton asked me to put 800 shares in the name of Clare Moyer and that that would satisfy him, and later—

Q. Well, not for nothing; he was to pay for them?—A. He was to pay for them, absolutely.

Q. He was one of those that got—A. Yes, he was one of those—

Q. Of the preferred class, as we call them?—A. Yes. Now, I did not know whether those were for Mr. Sifton or for somebody else, and he was very vague about it. I was a little disturbed, because I thought that possibly Mr. Sifton's name in this thing might be injurious to me in the province of Quebec where, apparently, Mr. Sifton was not very favourably received in certain circles.

By Mr. Jacobs:

Q. Not the young man. You mean the name?—A. The name, from a political standpoint.

The CHAIRMAN: I always thought the name Sifton was held in very high regard?—A. Well, I was rather vague myself as to just why it should be, but I know some of the papers were pretty hard slammers of him from time to time.

Mr. LENNOX: He was pretty nearly strong enough to beat me in 1926.

The WITNESS: That was in Ontario not in Quebec.

By the Chairman:

Q. Well, there was that anxiety in your mind when Mr. Sifton asked you to put these shares in Clare Moyer's name?—A. Yes. Well, he told me not to worry, that they were in Clare's name and his name would not appear, so I let it go at that for the time being.

By Mr. White:

Q. And then what happened?

By Mr. Morin:

Q. What happened?—A. And then when Mr. Sifton died—

Q. Previous to the death of Mr. Sifton did you know to whom those shares belonged?—A. No, I did not know anything definite sir. I had my suspicions but I could never get them substantiated in any way, by cross-examining Mr. Sifton or anything else. I had a suspicion that probably Mr. Sifton and perhaps some of his associates owned those shares. I did not know who the associates were and he was very anxious that I should not know, so I just left it at that.

Q. And the shares were put in Mr. Ebbs' name.—A. They were put in Mr. Ebbs' name.

Q. And later on they were transferred to—A. To Senator McDougald.

Q. And Senator McDougald got all the profit out of those shares.—A. I think that is what the books show. Mr. Griffith will check me on that.

Q. Mr. Ebbs never told you anything about the ownership of those shares.—A. Oh, Mr. Ebbs, later on, revealed later on that he was holding them for Senator McDougald.

Q. When did he tell you that?—A. I do not recall just how and under what circumstances.

Q. When did he tell you that?—A. I do not know. I really do not remember the dates. I assume a long time after. I do not know whether it was long after or not.

Q. Before the dissolution of the second syndicate?—A. Before the syndicate turned over to the company.

Q. Before?—A. Yes.

By Mr. White:

Q. He was then holding, or had been holding them.—A. He was still holding them. He held them right up to the time when they went into the company.

Q. However, he told you about it. Did he say he just held them or had been holding them for Senator McDougald and Mr. Henry?—A. I assumed they were for Senator McDougald, from what I heard.

By Mr. Morin:

Q. So you understood?—A. Yes.

Q. You knew perfectly well he was not holding them for himself?—A. I was quite convinced it was not for himself personally.

Q. Well now, will you give us the story of your dealings with the Sterling people?—A. Well now, the matter of the Sterling came up. I am vague on dates there too. I can just give you the approximate time. I had had several talks with Mr. Henry. The Sterling Company had been mentioned. Senator Haydon and Senator McDougald had mentioned the Sterling Company, but it was Mr. Ebbs really who spoke to me about it with any definite idea of my taking it over, and I was not very anxious to take it over. I delayed as long as I could.

Q. At that time your application was before the department, and had been since 1927?—A. Yes, I know the application had been in for some time.

Q. Were you in a hurry to get approval?—A. I was, because the time was going on, and conditions in the financial world were very good for the financing of a thing like this, or any other industrial development. I felt, nevertheless, that we were rapidly approaching a period when a crisis might arise, and we were particularly anxious to get on with this work and get it done before this crisis should arise.

By the Chairman:

Q. But you could not start before you got approval at Ottawa?—A. We could not start before we got approval at Ottawa.

Q. What was holding you up?—A. Just what I could never find out. It was the hardest thing to find out what the difficulty was. I met nobody who could give me anything definite on it.

Mr. JACOBS: You knew there was the question of jurisdiction, and all that sort of thing.

The WITNESS: Yes, I knew that.

The CHAIRMAN: The question has not been settled yet.

The WITNESS: I assume that might go on for a long time yet.

By the Chairman:

Q. So that that did not hold you up?—A. The point was we finally did get approval, but in the meantime we were approaching this financial difficulty that was coming in the world.

Q. Yes, but do you suggest that you knew that the crisis was going to come in October or November?—A. I do not suggest anything. I do not suggest that I knew when, but I was afraid it might be any time. It was quite obvious from the advice of bankers that a crisis was to be expected. How severe it was going to be I did not know, but I knew it would be severe enough to delay our financing and hang up our whole work for perhaps two or three years.

The CHAIRMAN: Go on about the Sterling.

By Mr. Morin:

Q. How did you happen to hear about this?—A. I am not quite clear with whom I discussed it first of all. I discussed it with Mr. Henry. Senator McDougald mentioned it to me.

By the Chairman:

Q. You say Senator McDougald mentioned it to you?—A. Well, he thought it was a good thing, a good company, and a lot of work had been done on it and Henry was the man who had done the work, and there was a certain opposition there that we had to remove.

Q. An opposition that you must remove?—A. I mean there was a certain claim, or prior claim. I did not know just how serious it was, or how important but I thought the removal of that might assist us in getting along a little faster with our work.

By Mr. White:

Q. Did the company carry with it Mr. Henry?—A. A gentleman whom I had a very high regard for.

By Mr. Jacobs:

Q. And such a high regard that he is now General Manager of the entire works?—A. Yes.

By Mr. Lennox:

Q. Did you know Senator McDougald was interested?—A. I did not know definitely but I assumed he was. I did not know to what extent he was interested, in fact, I do not know yet to what extent, except what I heard from Mr. Henry the other day.

By Mr. White:

Q. Are you suggesting you could not have got Henry for \$40,000 a year and a lot of shares in your company without buying the Sterling?—A. I do not know. I am not suggesting that at all.

Mr. WHITE: I would not think so.

Mr. JACOBS: You looked upon it as a "sterling" proposition.

Mr. WHITE: In the sense, of pounds, shillings and pence sterling.

By Mr. Morin:

Q. Tell us candidly, Mr. Sweezey, why did you buy this company?—A. I regarded this thing as a possible obstacle to the progress of our work.

Q. And the obstacle was what?—A. In the first place they had a prior application, and that may be something that was of more importance than I would attach to it. And, as you know, a prior applicant has more rights than anybody else. I have always been ready to believe that.

Q. Who led you to believe that, who told you that a prior applicant had more rights than any other one?—A. I think that was the general accepted belief. I think it is still accepted everywhere.

Q. Did you know that before buying the Sterling Company?—A. That a prior applicant had more rights than any other one?

Q. Yes?—A. Oh, well, that is always what I have been given to understand. For instance, in mining circles it is a well known fact that a man who stakes first gets there first.

By Mr. Lennox:

Q. What greater obstacle was the Sterling Industrial than the Transportation & Power which had filed an application two weeks before?—A. Well, there was this difference: That in the case of Henry, and Senator McDougald and, as far as I know, perhaps some other substantial men, I think they certainly had substantial ability, both financially and from a practical standpoint whereas the others had nothing, to my mind. They did not appeal to me as having any great ability to carry through a work of this kind. Nor did I think they had any financial ability, in fact, I knew they had not.

Q. But the obstacle might still be there?—A. The obstacle might still be there, yes, but their ability to carry through the project is what I had in mind.

By Mr. Jacobs:

Q. You knew what they consisted of because of your experience with them. The McDougalds and Henrys did not try to borrow fifty cents from you from time to time?—A. No.

By Mr. Morin:

Q. That was your first reason. You said you had another?—A. I do not know that I had a second, but I think probably I felt that Mr. Henry and

Senator McDougald would have much more ability to prove their capacity to do this developing than the other group would. They were really more or less formidable as rivals in the event of a clash of interests.

By the Chairman:

Q. But you owned the Robert rights?—A. Yes, sir.

Q. Were not they of any value to you?—A. They were, and I considered them much more valuable than this. But here was the situation: We were faced with a prior application surrounded with certain perhaps mysterious personnel of whom I knew but two.

Q. You knew McDougald, you knew Haydon, and you knew Henry?—A. Yes. I did not know whether Haydon was in it or not.

Q. I thought you said he talked to you about it?—A. I did not know whether he was merely a legal adviser or not, or just merely interested in the company. Now, here we were faced with the problem of paying perhaps 8 or 10 per cent of our situation to clear and remove this obstacle from our path, and faced with the fear that I mentioned a while ago of the necessity for haste, endeavouring to get our financing done, and it was a question of whether I was not doing the best thing possible for the people who had put their money in with me to get them here and compromise and get ahead with the big development.

By Mr. White:

Q. Well, you have not told us where you were going to get the political influence?—A. I do not want to guess anything on that. This political influence, I think, is rather an illusive term.

Mr. JACOBS: Those things are too sacred to be mentioned.

Mr. WHITE: The witness, Mr. Chairman, has told us he was dealing with the Sterling matter, and about those who had financial and engineering ability, but up to now he has not told us how he was going to get the political obstacles removed. I was interested in that.

The WITNESS: I prefer not to say too much about political influence, because no two people regard political influence with the same meaning; there is a varying shade of meaning for anyone to use.

Q. We will take your definition.

The CHAIRMAN: Perhaps your conception of it will be a new one.—A. Well—

Sir EUGENE Fiset: I understand he means departmental.—A. Well, it might be departmental. I suppose, when it comes to that kind of a definition, I think everybody is entitled to his opinion.

The CHAIRMAN: Let us have yours.

The WITNESS: Well, I do not know that I have a very definite one. It varies every day.

By Mr. White:

Q. What is it to-day?

By the Chairman:

Q. Go back to the day you first met McDougald and Haydon, and give us your conception of that.—A. Well, I don't know—I was learning a lot, and I think I know less to-day than I did then as far as political interpretation goes.

Mr. JACOBS: You have to start all over again.

By Mr. Lennox:

Q. I suppose the truth is, you wanted to get men who had influence with the government?—A. I think probably that is the soundest basis upon which to express it.

Q. Whose influence might sway their judgment in your favour.—A. Yes, or remove obstacles from my path because during all this time we were here in Ottawa, there was a continuous attack on us by various groups of people who wanted to oppose us in 101 different ways, and who did not hesitate to use all kinds of vilifying forms of attack in a subterranean way.

By the Chairman:

Q. Can you give us one group?—A. If I were to mention some, I might perhaps bring a lawsuit on my head.

Q. No.

Mr. JACOBS: Not before this committee.

Mr. WHITE: You are privileged before this committee.

The WITNESS: Probably one of the most active groups was the Transportation and Power group, and some of the other power companies in the province of Quebec who regarded us as interlopers of the power companies.

Q. The Montreal Light, Heat and Power Company?—A. Montreal Light, Heat and Power Company, the Shawinigan Power Company, and the Canada Steamship Lines. We were providing the most important link in the deep waterways of the St. Lawrence river, providing we were permitted to divert water, we were providing what was supposed to be a \$16,000,000 canal on that stretch of the river for navigation.

By the Chairman:

Q. These various companies that were in opposition to you, as it ultimately was disclosed, were just building up a case for themselves, so that you would have to take care of them.—A. Well, not necessarily that. I think what they were trying to do ultimately was to block us, so that they might pick up our assets for a song. I think that was what was in the minds of those who were opposing us.

By Mr. White:

Q. They would have to get Caruso to sing that song.—A. Well, I don't know. Many a time I would have been glad to have abandoned it, if it had not been that many of my friends were in this thing—

By Mr. MacKenzie:

Q. Is that opposition still in force?—A. To some degree, but more difficult to find now, although on the other hand, it occasionally rises.

By the Chairman:

Q. Did you settle with any of the other prior applicants?—A. No, sir.

Q. You just settled with Sterling industrial?—A. Yes, sir.

Q. You settled with them because Senator McDougald and Senator Haydon and Mr. Henry were interested in it?

By Mr. MacKenzie:

Q. Is there any evidence that Senator Haydon was in this company? I do not think there is anything on the record regarding this.

By Mr. Jacobs:

Q. Was Senator Haydon associated with Mr. Henry and Senator McDougald?—A. No. Senator Haydon, as far as I know, was merely solicitor in their office.

By the Chairman:

Q. I thought you said a little while ago he had spoken to you about it?—A. We asked him about this thing, and he said, "Yes, it is in my office; we have got it here," but I did not work it with Senator Haydon, it was with Mr. Henry, and Senator McDougald, I worked on a basis upon which we would make an exchange. The situation was, we had no money to give them, and if we had had some money we might have got a line—we had to have the shares of the company whose securities were not reaching an issue. It was a difficult situation.

Mr. WHITE: That was not very difficult, because you had made it optional on approval being granted.

WITNESS: That was a safeguard for ourselves. Supposing we had not succeeded. We had some assets in regard to the province of Quebec, at least, that would have had to have been distributed. Now, to have taken in somebody else in the Sterling, and to distribute to them would not have been fair, but we said, "If we get through Ottawa, then we are willing enough to let them share in the distribution."

Q. The reward was great, if approval was obtained, was it not?—A. The reward was certainly greater, if we got through Ottada.

Q. The reward has been great, has it not?—A. The reward has not been very great to some of us as yet.

Q. To those people who sold you the corporation, the reward has been great?—A. That is different, yes.

Q. These are the people I am talking about.—A. Yes.

Q. The reward to them was great?—A. Yes.

Q. If you succeed in getting this Order in Council passed?—A. Yes.

By Mr. Morin:

Q. You perfectly understood you were getting nothing except their influence and help?—A. Well, the removal of their—

Q. Obstruction?—A. Obstruction. For I felt this, if we refused to deal with them they would settle with us in another way, and get their plans approved.

Q. You know perfectly well they had no chance to succeed, and had no rights in the province of Quebec?—A. I did not know that. They might have got something here, and might have elicited help from other people, and perhaps ended in beating us. They could have gone to Quebec and they could have said to Quebec, they could carry through better than we could, and they might have got—

Q. Did you know Henry had been working on it since 1922?—A. Yes; I found Henry eventually was the one man whose ideas came closer to mine on the plan of development than anyone else. I was particularly intrigued with his ideas in this regard, and in discussing with him I felt from the very first that he would be a good man for me to take into our company for the purpose of carrying on the plan we had in mind.

Q. You did not take him over until after the approval was granted?—A. No, because we had no money with which to engage him.

Q. But you had issued 2,000 units?—A. Yes.

Q. Before Mr. Henry had dissociated himself with Railways and Canals?—A. Yes—well, I do not know whether he was in the Railways and Canals then. I am not quite clear on this. I think he was with the C.N.R. at that time.

By Mr. White:

Q. Before he went into the Department of Railways and Canals?—A. That was before.

Q. Before he went to the department?—A. When he went into the Department of Railways and Canals it was a complete surprise to me. I was disappointed. I thought he was not coming in with us, in the way I would like to see him. It was in my anxiety to get Mr. Henry—I thought the power companies were in a position that they could prevent any engineers working for us. That is how, for instance, we had to get Mr. Lee, although an American citizen, who had done some big works in Canada. He was one of our good engineers. Mr. Henry I looked upon as one of the best Canadian engineers I could get, and I was very anxious to have him connected with the company.

Q. He has never done any engineering for you?—A. Not for us.

Q. No?—A. But I knew his ability.

Q. Why discuss him as an engineer?—A. Well, he does not have to work for me in order that I should know his ability as an engineer.

Q. You were not using him as an engineer. You were using him as manager of the company.—A. Well, his whole engineering undertaking has not anything to do with—he is more an engineer than a financier.

Q. Has he ever drawn a plan in connection with this?—A. Certainly, working on plans and engineering ever since he came to us, right in the very thick of it.

Q. And managing this vast enterprise at the same time?—A. Yes, the vast enterprise is an engineering enterprise.

Q. I understand that his contract does not call for engineering?—A. He is an engineer, it does not have to call for it.

Q. I know he is an engineer, but the contract does not call upon him to do any engineering.—A. Well, I would not have a man in that position unless he were an engineer.

By the Chairman:

Q. Did you go to Henry, or did Henry come to you?—A. No; I think I made the first intimation to him that he should join us. I do not recall whether he came to me or whether I came to him. I cannot remember where we first met.

By Mr. Morin:

Q. How did you happen to learn of the Sterling company?—A. I think Mr. Griffith told me at one time that this application was ahead of us. It was discovered that this application was on the files, and it began to assume some importance later on.

By Mr. White:

Q. When you found out you were behind it?—A. I do not know when that was; I know it was brought to our attention, as an important obstacle in our way.

By Mr. Morin:

Q. Were you given to understand that if you bought this Sterling you would secure some important?—A. No, there was no definite understanding. We felt that if it did not get through on a certain day, the Sterling would be out, as far as we were concerned.

Q. Compromised their help?—A. I do not know they promised their help. That was not the time or occasion to really give any help.

Q. Where is there anything in the record that the application of the Sterling had been withdrawn. There is nothing?—A. You mean withdrawn since we took it over?

Q. Yes.—A. Well, I should think it belonged to us.

Q. Did you tell the department you had bought the Sterling?—A. No. I did not consider the department granting it, after they had granted us—

Mr. JACOBS: There was noting to grant.

The WITNESS: Nothing to grant then.

By Mr. Morin:

Q. Did you tell the deputy minister or the engineers?—A. I do not know. It did not make any difference.

Q. So they never knew you had bought the Sterling people?—A. I do not know whether they did or not.

Q. You did not tell them, anyway.—A. No. I do not think it would make any difference. I do not know whether Mr. Griffiths might have told anybody anything. I did not see the government officials very much; they were hard to see.

Q. So you had this stipulated deal upon which the approval was to be finally granted?—A. Yes.

Q. What did happen?—A. You mean the stipulation in the agreement of sale?

Q. Yes, there was a deal?—A. Yes, there was a deal.

Q. Fixed?—A. Yes.

Q. When approval should be granted before the month of February?—A. Yes.

Q. And February passed, and no approval?—A. Yes, and no approval, and then we—

Q. You extended the time?—A. We extended the time a little while.

Q. Under what circumstances?—A. Because we had hopes of having our approval put through. If we had not gotten it, we probably would have more obstacles.

Q. With whom did you negotiate for the extension of time?—A. Mr. Henry and Mr. Ebbs.

Q. Was Senator McDougald there?—A. I think Senator McDougald was always in association with them.

Q. You must have got a report on the second approval? Did they make a report?—A. Any reports would be verbal.

Q. What did they tell you. They must have told you something to ask to grant a further extension of time?—A. I do not remember what they told us. Simply hoping—if we would work the matter harder we would get it.

Q. They told you to grant them another extension in time, I suppose, and the deal would go through or we have hopes the deal would go through.—A. Yes. We were in close contact with the department ourselves. We had hopes it would go through any time. When this question of the ownership of the waterways in the province or Dominion was settled—

Q. Did they tell you that they had done something?—A. No.

Q. To secure approval?—A. No. They would not tell me they had done anything. They were very careful as far as that is concerned, no commitments of what they had done.

Q. When was the decision of the Supreme Court given, do you recall Mr. Swezey?—A. I do not recall, now, but I think it was in 1928, I think it was either January or February, somewhere around there, or the month of March.

Mr. MONTGOMERY: 1929.

By Mr. Lennox:

Q. An association of Mr. Henry and Mr. McDougald?—A. Yes, and perhaps some others whom I do not know.

Q. Mr. Henry's asset was by reason of him being an engineer?—A. Yes.

Q. What was Mr. McDougald's asset?—A. Well, he had some money, and he might be able to influence the men, because there were several power companies. If he had thrown in his lot with them, it might have been a different proposition.

Q. You felt he had a great deal of influence with the government?—A. I thought he was always in a position—not only due to his influence with the government, but I was more scared of his influence joining with other influences who were working hard against us, and I was anxious—

Mr. MONTGOMERY: February 7th, 1927, was the date of the court judgment.

The WITNESS: I know other companies composed of Senator McDougald and two or three other influences and working as they would, was one thing that scared me.

By Mr. Morin:

Q. Did you say Mr. Sweezey, that you did not refer to the political influence of Senator McDougald?

By Mr. Lennox:

Q. With you in possession of the Robert interests, how could any other company carry on?—A. I don't know, but I felt pretty secure when I had the Robert interests taken on, until I came to Ottawa.

Q. Looking back in the experience you have had, would it be possible for any other company to carry on in view of the fact that you owned absolutely the Robert interests?—A. I do not think it would sir, but it might have bothered me just long enough to get into the difficult period that I referred to a while ago, in not being able to finance the matter, and that would be tantamount to failure, because with a syndicate trying to carry on under limited liability, we would all have been ruined. At that time our syndicate had liabilities at the bank I think something like six millions, apart from the money we had spent, and only about 20 members able to meet it. I do not know that we could meet it, but the syndicate had the liability.

By Mr. Morin:

Q. Did you tell us, Mr. Sweezey, that you did not take into consideration any political influence on the part of Senator McDougald?—A. No, I did not state that, I qualified it by not wanting to introduce a shade of meaning into the discussion. I find that to be an expression which has various meanings. Having political influence, is a very illusive term.

By the Chairman:

Q. What?—A. I mean it represents an illusive term. I do not want to use that word.

Q. That is, the definition?—A. Yes.

Mr. JACOBS: You concur in that view, I hope?

The CHAIRMAN: I have not been long enough at it.

By Mr. Morin:

Q. Now, all the shares were put in Mr. Ebbs' name, as Mr. Griffith told us.—A. Yes, as the record shows.

Q. And then transferred to Senator McDougald?—A. Yes.

Q. And he got a profit?—A. Yes.

Q. On the shares from the Moyer subscription?—A. Yes.

Q. And from the Sterling?—A. From Moyer to Ebbs, from Ebbs to the Senator.

Q. And then Sterling to Ebbs, and Ebbs to Senator McDougald?—A. Yes.

Q. How much profit is he supposed to have made?—A. Senator McDougald? I have not figured it out, but if you add 2,000 shares of Sterling, he would have received \$300,000 cash on that, plus 2,000 by 80,000 company stock—

By the Chairman:

Q. If he had to sell, he would not get that, but if he had to buy he might pay a little more?—A. Then, the profits on his 3,200 shares for which he paid, I think \$190,000 in cash, and received \$100 a share in cash in the distribution, that is about three quarters of a million. So if you put the two together, the Sterling and this, it is roughly around one million.

Q. Costing him how much?—A. I don't know if his was the same as Mr. Henry's or not, I presume the same.

Q. And then, I see in the list that he is a holder of shares of over 200,000.—A. Yes. That would indicate that in his name then, are placed all the shares of the Sterling, 2,000 would illustrate—2,000 would result from the 2,000 and all the shares resulting from the 3,200 that he had in the second contract; so that he has 40 times 5,200, which is a matter of 208,000.

Q. Yes, I presume it does. There is a list here of it, and I presume that is what—

Mr. LENNOX: These 208,000 shares are quoted on the market at \$5?—A. They may be quoted at \$5, \$5 to \$6, but if you tried to sell them—

Mr. JACOBS: If you threw 200,000 shares on the market it would create a panic.

Mr. LENNOX: That would affect every stock.

By Mr. Morin:

Q. You consider them some value?—A. I consider them some value, depending on our ability to see this thing through.

Q. Have you yourself bought any on the market since?—A. I have bought on the market; I might say I have got some on the market, and I have bought some from my friends who happened to be hard up and asked me to take care of them.

Q. How much did you pay?—A. I paid anywhere from three and a half to eight, nine, and some at ten.

Q. Ten dollars a share?—A. As a person came to me, and said he was hard up and asked me if I could take care of his stock—

Q. Do you know the market sold at fifteen?—A. That is at one time, but I do not think it was a very substantial market.

Q. I understand that they were priced on the market at \$15 a share?—A. Some, but a very few transactions at that price.

By Mr. Lennox:

Q. Mr. Sweezey, you said Mr. McDougald got approximately \$1,000,000. If he sold those shares?—A. I said in cash.

Q. He would have \$2,000,000?

Mr. JACOBS: He couldn't get that price.

A. If he sold at \$5.

Mr. JACOBS: If he sold at \$10, he would have twice as much.

Mr. LENNOX: I am speaking of the present market value.

Mr. JACOBS: There is no present market value.

Mr. LENNOX: As quoted in the papers to-day.

The WITNESS: I do not think you would find a buyer for that much.

Q. Of course, you could not, but you could release them in small lots?—

A. Over a long period.

By Mr. Morin:

Q. Now, we have Senator Paradis, he is one of your directors?—A. Yes.

Q. How many shares has he?—A. I understand that Senator Paradis may have one thousand, maybe a little more, maybe two thousand. I don't know.

Q. Has he paid for his shares?—A. Yes, as he came in after the company was formed. In fact, I don't think I knew him before. The reason we had Senator Paradis for was—

Q. I do not want to ask you about the details.—A. Alright, I thought I might explain.

Mr. FORSYTHE: No reason why he should not explain.

Mr. MACKENZIE: We got the reasons from the others. I do not know what this is all about.

By Mr. Jacobs:

Q. He bought and paid for his shares?—A. He bought and paid for his shares.

By Mr. Morin:

Q. He bought the shares and paid for them at the market price?—A. Yes.

Q. You sold him his shares, I think?—A. I suggested to him where he might get some; I helped him to get them.

Q. Do you know how much he paid?—A. He must have paid—at the time the market was, I think, around \$8 or \$10 a share, and he got them one or two points under the market. If he had tried to buy them—I knew somebody who wanted to sell them, and he sold to Mr. Paradis. If he had tried to unload, well, he would have put the market down, and on the other hand, if Senator Paradis had tried to buy, he would have put the market up.

Q. Now before this Senate committee in 1928, I see that Senator McDougald was very much interested and that Mr. Starr, now acting for Senator McDougald here, at that time appeared before the committee on behalf of the Dominion Securities Company, your partners at that time.—A. I do not know that the Dominion Securities were partners as a corporation; some of the individuals in the Dominion Securities were.

Q. Who?—A. One or two individuals.

Q. Do you know what interest they had before this committee in 1928?—A. I do not recall other than I had been discussing with them this great project of developing the water power on the St. Lawrence. I think they wanted to know what it was all about.

By Mr. White:

Q. Were they not members of the syndicate?—A. One or two might have been; I think probably Mr. Steele, who was one of their employees, held stock in the syndicate, held it as an individual, not as a company. Whether he was also there on behalf of the company or himself, the connection is not denied with the Dominion Securities, obviously. I do not want to see them as a corporation—

Q. Do you know, as a matter of fact, that the Dominion Securities were not real members of your syndicate, the corporation itself. Mr. White tells us, you know—A. Well, I only can say what I said a little while ago. Whether Mr. Steele was for the Dominion Securities or not, does not make any difference.

Q. Mr. White has told us that he was acting first for the Dominion Securities?—A. I would not say that. He is an individual member of the board. We do not recognize the Dominion Securities. We know that he is the president of the Dominion Securities.

By Mr. White:

Q. If he were not, would he be a member of the board?—A. He may, because he is a member of the board. He might have been just the Dominion Securities to-day, and still be a director.

By Mr. Morin:

Q. Did they help any?—A. Well, they bought an issue of thirty millions of us.

Q. I beg your pardon?—A. They bought an issue of thirty millions from us, they and Newman, Sweezey and Company.

Q. Do you know of any interest this corporation had except being interested in this project?—A. No, I do not think so, because I had discussed this with him and tried to work up enthusiasm to the point of assisting us when it came to the point—

Q. Well, at page 23 this is what is said:—

Mr. J. R. L. STARR: Mr. Chairman, I have been asked to attend here by the Dominion Securities Corporation, of Toronto, to assist the Committee in getting the fullest possible information on this whole question, and with that object in view I am submitting to you a list of witnesses, whom you will all recognize as very prominent engineers and prominent men, and whom I would like called, to be heard here. Later on, to save time, if you think that advisable, I would take the witnesses over the proposition; but that is in your hands.

Hon. Mr. MURPHY: Before we get into that, Mr. Chairman, how and why are the Dominion Securities Corporation interested in this matter? What is their interest in it?

The CHAIRMAN: I do not know. Perhaps Mr. Starr would read the names of the persons.

Hon. Mr. MURPHY: That would hardly give us the information for which I have asked.

Hon. Mr. DANDURAND: Yes, I am surprised at the Dominion Securities Corporation. All the trust companies in Canada might rise up and bring us a list of witnesses and we would be here until doomsday.

Hon. Mr. MURPHY: Certainly we would. What is their interest in that?

Hon. Mr. LYNCH-STAUNTON: Why should they not tell us, anyway, no matter what their interest is?

They were asked what this corporation had before the committee, so Hon. Mr. Murphy says,

I do not object to Mr. Starr making the statement. I merely want to know what is the status of the people whom Mr. Starr represents before this committee, that is all. I do not object to his making a statement. Surely we are entitled to that information.

The WITNESS: I think I know, Mr. Morin, what that refers to. I did not recall it until it was mentioned to me just a few minutes ago.

Q. Then, just to complete that before you answer, Mr. Starr said, in answer to a question from Hon. Mr. Lynch-Staunton,

I could not, because I never asked them what their interest was. They simply asked me to arrange for the calling of these witnesses. I had not the curiosity that the honourable senator here has, to ask them why; but I have no doubt I can procure that information for you.

And the matter was dropped.

Mr. WHITE: Who was it they wanted to call?

Mr. STARR: I produced the information.

Mr. WHITE: Whom did they want to call?

Mr. MORIN: They wanted to call Mr. Hogg, an electrical engineer, Mr. Brown, a Hydro Electric engineer, I understand he is now one of your engineers, Mr. Swezey?

The WITNESS: Yes, sir.

Mr. MORIN: And Mr. Grant, government engineer, on the Welland canal, General Tremblay of the Quebec Harbour Commission, Loring Christie, Legal adviser of the Ontario Hydro-Electric Commission, Mr. Thomas Harling—

The CHAIRMAN: Is that the Mr. Christie who is here?

By Mr. Morin:

Q. The Mr. Christie who is now connected with you and Mr. Henry?—A. Yes.

The CHAIRMAN: You picked out the live ones.

By Mr. Morin:

Q. In that connection, who paid the bill of Mr. Starr?—A. I don't know; somebody told me a while ago the bill was paid by the Dominion Securities, and they collected from us. I do not recall that.

Q. We have a note from the auditor that the bill of Mr. Starr was \$5,512.70, and it was paid to Mr. Starr by cheque of the Marquette Investment Corporation, endorsed by Mr. Starr. Have you any particulars to give us about that?—A. I do not know anything about the cheque; I do not recall it, but if you say it is there, it must be. I have not answered your question yet.

Q. Who is going to supply the information? I presume Mr. Griffith, the secretary-treasurer could do that.

Q. Now, will you please answer the question. What is your interest with it?—A. The interest is this; at the time, as I told you a while ago, the various power companies in the province of Quebec and the navigation companies, were fighting tooth and nail to prevent the Beauharnois company developing anything on the St. Lawrence, and we appeared before the Senate committee to hear those experienced or technical men who were opposed to any development, such as we were proposing, and to hear what the other companies would suggest, and who were anxious to have the Senate hear the other side of the question, and to get our picture before them, and I think on the basis, as I recall it now, we probably asked the Dominion Securities to assist in getting somebody to appear before the Senate,—

By Mr. White:

Q. Was not the Dominion Securities a member of your syndicate at that time?—A. I do not know as a corporation, Mr. White. I think they were; Mr. Steele represented them. Mr. Steele is a director of the Dominion Securities.

Q. You are making a much finer distinction than Mr. White did.—A. I do not say it was the Dominion Securities. There was really this distinction. One is a corporation, and the other is an individual.

The Chairman:

Q. Mr. Sweezy, Mr. Griffith gave evidence in respect to the Sterling Industrial corporation, and he did not think the assets of the Sterling Industrial Corporation amounted to anything?—A. Neither did I.

Q. That is what we have been trying to find out.—A. I did not say they had any assets. We were just afraid of so many obstacles.

Q. It was an obstacle?—A. The application.

Q. You wanted to complete removing the obstacle by making them a partner?—A. I do not know that it was along that line. I do not know whether he was alone or not. If I thought that he was alone, I would not have been so anxious to work it. I thought he might have others.

By Mr. Jacobs:

Q. Mr. Henry was with him?—A. Yes.

By the Chairman:

Q. You wanted to remove McDougald and anyone who might be associated with him out of your power, and enlist him as one of your forces to procure the rights you needed.—A. I didn't—I thought perhaps that some others—

Q. Is that right?—A. Yes. And I was afraid some of the power interests might incorporate with him and develop their idea and leave us out.

Q. Get a bigger senator?—A. I don't know about the bigness of the senator, they might have got more water.

Q. I cannot conceive that as being possible.

Will you listen to what Mr. Henry says in answer to a question? He makes it quite clear, in a question put by me. This is the question "Let me put it this way Mr. Henry. When you filed your application did you feel you had any right over anybody else to be favourably considered by either the province of Quebec or the Dominion government?"—A. Well, as I explained, Mr. Gordon, I did not think that I had any right, so far as the province of Quebec was concerned, because I had proceeded upon the hypothesis because the Federal government probably had in mind developing this power itself, and therefore if the provincial rights question was to be dealt with, it would be dealt with by the federal government; so I made the application to the federal government, and even so far back as 1928 I was not sure in my mind whether the federal government or the provincial government had the right.

Q. Am I right in this, Mr. Henry, that you, having the knowledge you did have of the possibilities of this section, took the steps you described of placing an application on record with the Dominion government and at the time knowing that others were interested in the project as well?—A. Oh, yes.

Mr. WHITE: Just before we adjourn, Mr. Chairman. There is a question of Mr. Jones coming back here. I was wondering when it was going to be convenient for us to hear him.

Mr. LENNOX: I want to make a motion before we adjourn. I desire to make a motion, seconded by Mr. Jones, Mr. Chairman, that the chairman be authorized to move in the House of Commons that a message be sent to the Senate requesting their honours to give leave to Senators McDougald, Haydon and Raymond, three of their members, to attend and give evidence before this committee.

The CHAIRMAN: Are you all in favour of the resolution?

Carried.

Mr. WHITE: What about Mr. Jones? When shall I ask him to come back?

The CHAIRMAN: Just as soon as you can. We are not through with Mr. Sweezy?

Mr. WHITE: No.

The CHAIRMAN: It is now six o'clock, and we shall adjourn until 8.30.

Committee resumed at 8.30 p.m.

The CHAIRMAN: Mr. White, I wish you would call Mr. Moyer again.

CLARE MOYER recalled.

By the Chairman:

Q. Mr. Moyer, with respect to the position that you very properly took to-day regarding the privilege attaching to communications which may have been made to you by your clients, you are to be commended for the care that you took, and it is proper that you have raised that point; but I have gone into the law as well as I could during the adjournment, and I am strongly inclined to the view that there is no such privilege attaching to the relationship which apparently existed between you yourself and Mr. Sifton, and I make the ruling with a degree of reluctance, but at the same time I am convinced that there is no such privilege attaching to those communications, and I am going to order that you answer the questions. Now, you have a right, of course, to refuse to answer in spite of the committee. I am persuaded that there is no privilege attaching to such communications?—A. I accept your ruling. As a matter of fact, there is nothing more I can say.

Q. I am very glad to hear that, because when you take the position that communications are privileged, and, they are not, particularly in a proceeding of this character, it might give rise to fantastic imaginings that have no foundation in fact and be hurtful to you and to your clients.

By Mr. White:

Q. The point we got at, Mr. Moyer, was that you turned over the 1,600 fully paid part interests in the Beauharnois Power Syndicate, and 1,600 partly paid units to Mr. Ebbs on instruction from your client who was Mr. Sifton?—

A. Yes, sir.

Q. And that those instructions involved the turning over to Mr. Ebbs of these part interests, fully and partly paid as they were, on instructions or at the request of somebody else?—A. Yes, sir.

Q. Who was the other person?—A. Prior to the death of my client—as I explained this afternoon he had a bad attack and feared he would die—he said at that time, “in the event of my death you will have to take someone’s instructions to carry out the trust that you are now performing for me.” This afternoon I was asked a question pretty much along that line, and I mentioned the name of Mr. Ebbs. Mr. Ebbs was not the man who made the nomination in the first instance; he was the nominee of the authority to whom my client referred me, and he was nominated by Senator McDougald.

Q. Mr. Ebbs was nominated by Senator McDougald to receive the shares from you?—A. Yes, sir. As a matter of fact, after Mr. Sifton’s death, I received no instructions and did nothing for quite a considerable time, for several months. During that period I received calls for further payments on the second subscription, and, finally, shortly before or at the time at which the

transfer took place—I think it was within a day or two of it—I was instructed from Senator McDougald to take Mr. Ebbs' instructions and turn over to him whenever he should suggest.

Q. I see. And when you received these calls, with whom did you communicate?—A. I did nothing. My instructions from Mr. Sifton had been to do nothing until I heard from Senator McDougald. Whether he knew about the calls I do not know. As a matter of fact they lay on my file, from all I recall, about a month. No money was paid to me or by me after Sifton's death.

By the Chairman:

Q. You do not know the relationship that existed between McDougald and Sifton?—A. Not at all, no sir.

By Mr. Lennox:

Q. Do you know whether the shares were bought for Sifton or for McDougald?—A. As I said this afternoon, I have no reason to think that they were not bought by Sifton for himself. He told me he was my client, and he wanted me to buy them for him.

Q. Did he give you any reason?—A. No. Our transactions—Sifton's and mine—were entirely verbal—no written records. He trusted me, as I said, and he continued to trust me; after his death, I carried out his trust.

By the Chairman:

Q. It was Sifton's money that you got that paid for the stock?—A. As far as I know. Certainly money he gave to me.

Q. Sifton's check went to you at any rate?—A. Yes—ah—I do not remember the form of the payment. As a matter of fact, anticipating that the committee might want to trace those payments I have been in touch with my bank since this investigation started. The bank cannot tell me the origin of those payments. As I recall it they were drafts that did not bear Sifton's name or any other name.

By Mr. White:

Q. You mean bank drafts?—A. Yes, bank drafts—yes, two were bank drafts, and the first was in cash.

By the Chairman:

Q. How much money?—A. \$15,000.

Q. In legals?—A. In \$1,000 bills. Yes, I think it was thousands. It was in bank currency anyway. Sifton went with me on that occasion to the bank and I made the deposit. The other two were bank drafts.

Q. No explanation from Mr. Sifton why he should pay it in legals or cash?—A. No, he did not explain it at all. I suppose he had reasons of his own for not wanting his name to appear, otherwise he would not have chosen me as his solicitor and representative.

ROBERT O. SWEEZEY recalled.

By Mr. White:

Q. Just to clear up this matter that we have been dealing with, Mr. Sweezy, do you consider that Senator McDougald's financial interest in this Beauharnois project commenced with the Moyer subscription?—A. Well, I really do not know. I do not know just where it commenced between Mr. Moyer and Mr. Ebbs. I do not know at what point it commenced between Mr. Moyer's entry and Mr. Ebbs's entry.

Q. You have never discussed it with Senator McDougald?—A. No sir.

Q. Never discussed it?—A. I never discussed the time of his entry into the thing. After he acknowledged he was in, I discussed Beauharnois with him quite freely.

Q. Mr. Swezey, I hope you realize that this was a substantial interest?—A. Yes.

Q. That Mr. Sifton—Mr. Winfield Sifton was acting as your solicitor?—A. Yes.

Q. And that the personnel of your associates at this stage particularly was of almost supreme importance to you, do you agree with me?—A. Yes. It depends upon what you mean by supreme. But it was important that I should have got people able to—

Q. And nobody in there who was going to buck you?—A. Yes. I assumed that if they were in they would not buck.

Q. I know you assumed, but that turned out to be not quite the case, didn't it? Because at a later stage, Senator McDougald subsequently turned out to be later, at least, interested in this subscription of Mr. Moyer's and was an obstacle whom you had to pay a large sum of money to to remove from your path?—A. Yes. That is almost as bad as a buck.

Q. That is what I would call bucking it. I apologize for the use of the slang. I was brought up on a farm. One gets back occasionally to these bucolic expressions. And you propose to tell us, in the face of the importance which this matter was to you and the importance which you admit of carefully selecting those who would be associated with you, that you did not know whether or not these shares were held by Mr. Sifton personally or by him for Senator McDougald?—A. No, sir; I did not know. I had, sir, suspicions, but I have found from time to time I might have been wrong in my suspicions. But I certainly did not know who precisely Mr. Sifton was holding those shares for.

Q. Did you know he was holding them for somebody besides himself?—A. I assumed that somebody besides himself must be associated with him, because I do not think he had personally the money to do it alone. Just who it was I did not know.

Q. May I take it that you did not consider it of sufficient importance to have gone to him frankly and said, "now who is in this deal with you"?—A. I assumed in due course I would find out.

Q. I know, but you were coming up to a point pretty soon where you were either going to succeed or fail in what I assume to be now pretty much your life's work?—A. No, sir; there was still the situation in Ottawa to meet. I had not completed the list in Quebec.

Q. This was the situation in Ottawa that I am supposing you are dealing with. You knew all along I assume, that when you got through at Quebec you had to run the gauntlet here?—A. Yes.

Q. And I assume that as a wise and careful man you were laying your pipes with that end in view?—A. Yes.

Q. And again I suggest to you that that being the situation it was—I am going to use the expression again—of supreme importance to you that you should have associated with you the right people. What do you say to that?—A. Yes. I was not always confident in my judgment of who the right people were.

Q. But so far as your judgment went, I should have thought that you would have liked to have at least an opportunity of exercising that judgment?—A. Yes.

Q. Now, I suggest to you that it would have been at least the part of common precaution for you to have asked your solicitor who he was holding the shares for?—A. I did ask him, sir, but he told me to wait and in due course he would inform me.

Q. And you accepted that answer?—A. From time to time I did, but it was—

Q. You must have been very confident that he was selecting the right person?—A. His judgment I figured was probably as good as my own of who the right people were.

Q. But you were willing to leave it to him?—A. For the time being.

Q. You did not find out ever?—A. Yes. When Mr. Ebbs came in, and some time before, I had reason to think that Senator McDougald was assuming this.

Q. How early?—A. It was some little while before—sometime—it may have been a few weeks—I would not say precisely when.

Q. Frankly, your *laissez affaire* attitude in this matter—A. It is not *laissez affaire*.

Q. Is inconceivable to me. I may be wrong about it, but I would be glad if you would explain to me how you were willing to leave such an important matter as this, because, after all, what you were purchasing, if, as a matter of fact these shares belonged to Senator McDougald, was an obstacle, not a helper, that cost you later a million dollars at least to remove, or possibly two million dollars?—A. I did not know that at the time.

Q. That is why I say it was of the utmost importance that you should have found out?—A. There were lots of things I would have liked to find out, but I could not.

Q. Surely you could find out who was purchasing shares in your own company?—A. Yes—

Q. Are you suggesting that you could not?—A. I could not get definite information who was behind Mr. Sifton in this.

Q. Why did you allow him to get the shares at all?—A. Because he might naturally have to tell me in due course. I had in mind certain people it would be good to have here.

Q. And you suggest that and that alone?—A. Yes.

Mr. LENNOX: Shares of whom?

Mr. WHITE: Sifton.

By Mr. White:

Q. In due course he would tell you who it was?—A. Yes.

Q. And you, in your innocence, never suspected that perhaps it might be somebody who would not want his name connected with the syndicate at that stage?—A. I beg your pardon?

Q. In your innocence you never suspected it might be somebody who might not want his name connected publicly with the syndicate at that stage?—A. I think it was an obvious inference on my part. I assumed that whoever it was, was not prepared to show up who.

Q. And I suppose it never occurred to you that it might be because it might possibly be improper for that person to be a member of your syndicate?—A. I would not say improper.

Q. I say it never occurred to you that it might be for that reason?—A. No, sir.

Q. In other words, what you say now on your oath is, that you simply allowed Mr. Sifton to acquire these shares in the syndicate, he being then your solicitor, you knowing that they were not for himself and without your knowing who they were for?—A. I did not know precisely that they were not for himself.

Q. You told me a moment ago, at least I understood you to tell me that you knew he had not the means himself?—A. Not alone.

Q. No. Now, that is the situation?—A. Yes.

Q. Then coming to the Sterling matter again just for a moment—and you have gone into that very thoroughly, you have been asked a lot of questions both

by my friend Mr. Morin and the members of the committee—you will probably remember the phrase of one of the members of the committee, that this prior application had what is called a nuisance value?—A. Yes.

Q. And I think you said this afternoon that the percentage required for the removal of that nuisance was about 10 per cent of your total valuation at that time?—A. I made a quick mental calculation at the moment—

Q. I am taking your figures.

Mr. FORSYTHE: He said 8 to 10 per cent.

The WITNESS: I think I said 8 to 10 per cent.

By Mr. White:

Q. I now suggest to you that that was altogether out of proportion to that so-called nuisance value. What do you say as to that?—A. Well, I say, sir, that there was for a time it made the nuisance value much more of a nuisance, so much more a fear in its consequences.

Q. I suggest to you that as a matter of mere opposition on its merits there was no nuisance value whatever.

Mr. MONTGOMERY: If you will look at the record, Mr. White, you will see continually that you never allow the witness to finish his answer. If you will look over the record you will see that about half the witness' answers are interrupted by you.

Mr. WHITE: I think that that is a pretty fair record for me.

The WITNESS: What I was about to say was that the reason and the urgency—and perhaps I may or may not have mentioned it this afternoon—and if I did it was probably confused—that in our lease at Quebec we had a time limit upon our getting the approval of plans in Ottawa, and as time went on, the approaching of the expiry of that time limit was quite annoying and worrying to me, and that is why obstacles had to be removed at all costs.

Q. Would it be the fair way to put it that these people knew and they simply held you up for more than they ought to have got?—A. I do not want to impute motives. Some of it is opinion and not facts.

Q. There is no one here better qualified to speak than you.—A. A good deal of it is opinion, and my opinion was that they held me up for more than it was worth.

Q. Exactly, and that was done by the man who is now your General Manager.—A. I would not say it was done by him alone.

Q. Not by him alone but by him in conjunction with somebody else or with some others.—A. Yes.

Q. And a man in whom to-day you express the utmost confidence.—A. As an engineer and capable builder, yes.

Q. And that was the man whom you afterwards employed to manage this vast enterprise.—A. Yes.

Q. As General Manager under the contract which we have here to-day filed, and that was the man whom you now say held you up.

Mr. MONTGOMERY: Once again I have to protest against you not allowing the witness to answer.

Mr. LENNOX: I think he ought to be allowed to answer.

Mr. MONTGOMERY: You are thinking so fast yourself you do not allow the witness to answer.

The WITNESS: I would say that a man who can drive a good bargain for himself and someone else can also drive a good bargain for me when he works for me.

By Mr. White:

Q. Are you sincere when you made that answer?—A. Quite sincere. I know Mr. Henry in a deal knows how to look after himself and I think he can look after the interests of my company.

Q. That is your explanation.—A. That is part of the explanation.

Q. Then give us the rest of it.—A. I do not want to guess at anything on a matter of this kind. I do not know what else you have in your mind.

Q. Tell us what is in yours, I am not the witness.—A. If I knew precisely what the questions were I would answer.

Mr. JACOBS: Why select Mr. Henry alone? Senator McDougald is now Chairman of the Board of the Beauharnois Light, Heat & Power Co., so they are both absorbed.

Mr. WHITE: I was coming to that. You see, Mr. Montgomery complains that I do not let the witness answer.

By Mr. White:

Q. Then the other man who held you up, as Mr. Jacobs has pointed out—

Mr. JACOBS: I did not mention the word "hold up". Don't fasten that on me.

By Mr. White:

Q. The other man then whom you say held you up is the man who, as Mr. Jacobs points out, is now the President of your Board.

Mr. MONTGOMERY: Only the Chairman.

The WITNESS: Chairman of of the Board, yes.

By Mr. White:

Q. And has been President of your Company?—A. Yes.

Q. So that the two men who held you up for a mere trifle of one or two million dollars, or for 8 to 10 per cent of the value of your company, and who gave you no value for that except the removal of a nuisance, are the two men now, one the Chairman of your Board and the other the General Manager of your Company.—A. Well, one is Chairman and the other is General Manager.

Q. And, I suppose, appointed with your approval.—A. Yes, sir.

Q. Yes, and the fact, so far as Mr. Henry is concerned I take it, appointed at your very urgent request and solicitation.—A. Well, it depends upon what you mean by very urgent. It was certainly at my solicitation. I have got to qualify pretty nearly all my statements. There is a difference between fact and opinion, Mr. White. That is what I am trying to be careful of.

Q. You do not need to point that out to me.—A. It will be bad for me if I get them confused.

Q. Well, let us have your answer now.—A. Now, I forget your question. Certainly it was at my solicitation, and the urgency, or perhaps argument to convince him that he would be best employed with me than with someone else, because at that time I remember he was considering an offer from the Mexican Government at a very large salary, and I figured he should stay in Canada and I used that argument.

Mr. JACOBS: That was one of the reasons, he was such a tremendous asset.

The WITNESS: He was in demand, and I certainly needed such a man to help me.

By Mr. White:

Q. I wonder what his salary was as Deputy Minister.—A. I do not know.

Mr. JACOBS: \$10,000.

Mr. WHITE: And you are paying him \$40,000 and he gets a large block of stock at so much per share.

Sir EUGENE Fiset: For acting as Deputy Minister he was receiving a salary and at the same time receiving a salary as an officer of the Canadian National Railway.

Mr. WHITE: Well, make it \$20,000.

Mr. JACOBS: Oh, no, he was not getting \$20,000.

Mr. LENNOX: He said there was some adjustment made.

The CHAIRMAN: What salary were you getting at the time you were Deputy Minister.

Mr. HENRY: \$20,000.

The CHAIRMAN: \$10,000 as Deputy Minister and \$10,000 from the Railways.

Mr. HENRY: Yes.

Mr. WHITE: My guess happened to be right.

Mr. MONTGOMERY: I guess you knew it.

Mr. WHITE: I did not, as a matter of fact.

Mr. JACOBS: You sized him up as a \$20,000 man.

Mr. WHITE: And the company now size him up as a \$40,000 man.

By Mr. White:

Q. Is Mr. Henry's salary confined to the amount mentioned in the agreement or are there some other.—A. No, that is all we pay him.

Q. Is he a director?—A. He is a director but he does not get any fees as director.

Q. Why not?—A. I am informed the fees for directors are only \$1,000.

Q. I know, but does he not get fees as a member of some advisory board too?—A. No. He gets director's fees only and not as a member of an advisory board.

Q. Mr. Morin points out to me that the members of the Board get \$5,000 a year.—A. No, no. The members of the advisory committee get \$5,000 a year. He is on the advisory committee but if he is already in receipt of a salary from the company he does not get the \$5,000.

Q. We have it then that you were able to at least double his salary and give him an opportunity to participate in the possible success of the company.—A. Yes.

Q. In which, as he has told us, he was a very firm believer.—A. Yes.

By the Chairman:

Mr. JACOBS: No further seek his merits to disclose.

Q. I have been reviewing the evidence that Mr. Henry gave and I must say he was refreshingly frank. He made no bones about it. He filed that application with McDougald and let it rest there knowing well that whoever would develop that would have to take care of him and McDougald and get rid of them. Did you so realize?—A. No, I did not realize it till the proposition was put up to me.

Q. Who put the proposition up to you?—A. I am not very clear.

Q. Just what was the proposition that was put to you?—A. The proposition that was put to me, Senator McDougald was one of those who put the proposition to me that this should be taken into our own company.

Q. That what should be taken in?—A. This Sterling Industrial Company, that here was an application ranking ahead of us. Then we investigated, in fact, before we had investigated we knew there had been prior applications, and the other prior application on behalf of the Great Lakes or Transportation

and Power was not an application for the same thing when you really look into it. It was an application for another project entirely.

Q. Down to Laprairie Basin.—A. Running down to Laprairie Basin and, consequently, we did not consider it even apart from the merits of the backing.

Q. Let us get that. The reason you did not deal with the Transportation and Power prior application and you did buy out the McDougald-Henry application, was because the Transportation and Power application dealt with a canal from Lake St. Francis coming down and swinging right past Lake St. Lewis to Laprairie Basin.—A. Plus the fact that they were not, in my opinion, serious or probably capable of carrying out the project to a point where it would be taken seriously by the government.

Q. Then, putting it plainly, the McDougald-Henry proposition—A. I thought it might be taken seriously.

Q. Yes, because if you could buy them you would thus destroy the barrier that you seemed to think existed by reason of their prior application, and you could then turn to your own use and procure their influence to assist you in bringing your case properly before the government.—A. Yes, their influence and prestige, if you care to call it so.

Q. And that is what happened?—A. Yes.

Q. And you ultimately got order in council 422 passed?—A. Yes.

Q. Did you have to solicit the influence of any other men prominent in public life other than McDougald?—A. No, I do not think I was soliciting. After we got going here I concentrated—

Q. Let me put it this way—

Mr. JACOBS: Let him finish, Mr. Chairman.

By the Chairman:

Q. You never had to solicit anybody else's influence to procure the passing of order in council 422?—A. I spoke to lots of people, sir.

Q. Not ordinary fellows like me, I mean people prominent in public life.—A. Personally, I found it very difficult.

Q. That is not what I asked you.—A. I am trying to say, I infer that you understand what I mean—

Q. I do not understand what you mean.—A. I did not have to solicit many people. As I say, I found it very difficult to approach people. For instance, I never could see the Prime Minister.

Q. I could quite imagine that.—A. I did not try very hard, but after one or two tries I just ceased.

Q. Mr. Jones told us that was his experience too.—A. It was also very difficult to see the Ministers. On the contrary I found no difficulty in seeing the Prime Minister of Quebec. But in Ottawa it was very difficult to have our project considered. But I can understand now that they were in doubt as to who owned the power.

Q. Your failure to see the Prime Minister, was that before or after Mr. McDougald came on the scene.—A. That was, I would say, before, because I tried before.

By Mr. Jacobs:

Q. The Chairman put the question to you in this form: Did you have to secure the influence of any very highly placed person otherwise than Senator McDougald in order to get this order in council put through. Did you solicit Mr. McDougald to get this order in council put through?—A. I do not think I ever solicited Senator McDougald to directly get the order put through. I do not think it ever occurred to me that he had anything to do with an order in council, but that at least he would not be there as an obstacle to prevent me getting it and opposing me.

By the Chairman:

Q. I presume when you paid him off with the million or two million, as the figures seem to indicate, if he had ever started in to help you to get the order in council you would stop him.—A. Oh, no, I would not. I would be very glad if he could have.

By Mr. White:

Q. You made it part of the bargain, nevertheless, that the payment was not to be made until the order in council was granted.—A. Naturally.

Q. Can you suggest any more ingenious device of enlisting a man's support than that?—A. I do not know. I was using the best ideas I could think of.

Q. And good ones. I commend them.

Mr. JACOBS: The whole thing was contingent on getting the order in council through.

The WITNESS: For instance, I certainly would not have applied to someone whom I thought was an opponent of the government of the day. That, I think, is clear.

By Mr. White:

Q. May I put it this way, that the long and short of it is that you did enlist the sympathy of Senator McDougald to facilitate the obtaining of the consent of the Dominion Government to the project?—A. I do not know whether the word "facilitate" meant that, but it approximates it anyway.

Q. Perhaps that is near enough then?—A. Yes.

Q. Then you found it necessary apparently in prosecution of this project to enlist the services of a great many lawyers?—A. Yes, chiefly because there were a great many opponents and they have continued with me right down to the present day.

By the Chairman:

Q. Do you get a new lawyer every time a new opponent turns up?—A. Not always, but sometimes it was necessary.

Mr. WHITE: Well, you had some good ones I see.

Mr. JACOBS: You believe in fighting the devil with fire.

The CHAIRMAN: Oh, no, this is fighting the devil with water.

The WITNESS: It was not holy water anyway.

By Mr. White:

Q. You had Meredith, Heward & Holden?—A. Yes.

Q. And W. B. Sifton?—A. Yes.

Q. And Col. Victor?—A. No, I did not employ him.

Q. Who did?—A. I do not know; perhaps his brother did.

Q. Would you be surprised to know that he was paid a large sum for legal services by the Beauharnois Syndicate?—A. That is a detail that would surprise me. I admit there are some details I do not remember.

Q. Might the mere trifle of \$10,000 for legal fees escape your attention?—A. Mr. White, we have been spending over \$30,000,000.

Mr. FORSYTHE: The payment was made to Col. Sifton because he was the executor of his brother's estate.

Mr. WHITE: I wonder if that is the fact.

The WITNESS: It must be.

Mr. WHITE: You say it must be. But let me say something. Let me see the voucher and we will see who got that money. Apparently you are right about that payment. That was for moneys paid to Victor Sifton—

WITNESS: To W. B. Sifton, sir.

Q. Yes, to W. B. Sifton. Then there was W. G. Pugsley. Where does he practice?—A. In Ottawa.

Q. Any relatives in the Department of Public Works or the Department of Railways and Canals?—A. Not to my knowledge, no sir.

Q. Again that would be a matter beyond your ken.—A. His father used to be Minister of Public Works but he was not then.

The CHAIRMAN: There is a Pugsley who signs as Secretary. Who is that?

The WITNESS: I do not know him at all.

Mr. JACOBS: An entirely different person. He has been Secretary of the Department for a great many years.

Mr. WHITE: I wonder if they are brothers?

Q. Then there is L. C. Moyer?—A. Yes.

Q. And Andrew Thompson?—A. Yes.

Q. And Greene, Johnson & Strike, Mr. Ainslie Greene's firm?—A. Oh, yes.

Q. And then we have Mr. Thompson's firm, and then Ainslie W. Greene, and then McGiverin, Haydon & Ebbs?—A. Yes.

Q. Geoffrion & Prudhomme?—A. Well, he was my main counsel, Mr. Geoffrion.

Q. And Perron & Company?—A. Perron only in a personal way for lawsuit.

Q. Then W. G. Sheridan?—A. He is not a lawyer.

Q. Not a lawyer? Let us see what his bill was entered for. What was he?—A. Why, I employed him for a time when I was being pursued very violently by a number of people who were suing me and threatening me with all kinds of dire consequences, and I employed this man to find out who were behind this suit and what was the motive for attacking me.

Q. I see. And his services were paid for by the syndicate?—A. Yes.

The CHAIRMAN: How many hundred thousand dollars in legal fees have you paid out in this thing?

Mr. WHITE: I will give you the total in a minute, Mr. Chairman.

Q. Then National Trust Company. That is hardly a lawyer, re Robert deposit, \$1,200. Then Brown Montgomery?—A. Yes, more recently.

Q. Then Biron & Poirier, notaries?—A. That is right, notaries, yes sir.

Q. And Fentman, Gravel.

Mr. JACOBS: That is in the Quebec district?

By Mr. White:

Q. A lawyer in Quebec, is he not?—A. I do not recall.

Q. And St. Laurent, Gagnon & Taschereau?—A. Yes.

Q. Louis Cossette?—A. I don't just remember his case.

Q. And McGibbon, Mitchell & Co.?—A. That is in Montreal. I cannot think just what they were used for.

Q. Well, you admit that they were used?—A. If the name is there that is a fair inference.

Q. Chauvin & Rivard?—A. That is Quebec.

Q. And J. L. R. Starr?—A. Yes.

Mr. STARR: I was employed direct by the Dominion Securities and nobody else.

Mr. WHITE: But you were paid by the Syndicate. Mr. Starr.

Mr. STARR: If you ask me I would take an oath that the Dominion Securities paid me.

Mr. WHITE: Well, I will show you the voucher.

Mr. STARR: I know the bill went to the Dominion Securities. I do not suppose I would look at a little cheque like that.

Mr. WHITE: I do not suppose you care who paid you as long as you got the money.

Q. Then W. G. Mitchell?—A. Yes.

By the Chairman:

Q. Who is he, a lawyer?—A. A lawyer in Montreal.

By Mr. White:

Q. Is that the Hon. Mr. Mitchell?—A. Yes, he used to be Honourable.

Q. Alphonse De Carie, a notary?—A. No, he is a lawyer.

Q. Then there is an item for F. D. Brown?—A. He is an engineer.

Q. I know, but this is per F. B. Brown, an item of \$2,718.54 said to be for legal expenses. And then there is Mr. Loughery?—A. That was not legal.

The CHAIRMAN: It was not illegal, I hope.

By Mr. White:

Q. And then there are sundries of dollars, \$1,160.76. The total payments to the gentlemen I have named, under this heading, Mr. Chairman, are \$373,057.15, the principal items being the Meredith firm—I am just giving the round figures—\$36,000; W. B. Sifton and Victor Sifton \$29,000; Mr. Pugsley \$10,000; Mr. Moyer \$21,000; McGiverin, Haydon firm \$59,357, and Geoffrion, Prudhomme \$97,000 odd; and Mr. Mitchell \$11,000 flat.

Mr. JACOBS: They were paid in proportion to the quantity that was intended to go through the canal.

The WITNESS: They were paid in proportion to the amount of work they had to do, and a lot of that was investigation of numerous properties that were bought, and they amounted to hundreds. A great many of these firms had to have separate reports on each one.

Mr. WHITE: In addition, there is in a statement furnished me an additional \$13,000 to Geoffrion, Prudhomme \$15,000 to Blake, Lash, Anglin & Cassells; \$10,781.65 to Laflamme, Mitchell and then to Mrs. W. B. Sifton \$2,000, that is what led me astray; Meredith, Holden, some small amounts and St. Laurent, and Blake, Lash, Anglin & Cassells \$2,000.

Mr. JACOBS: That is in addition to the \$15,000.

Mr. WHITE: Yes, and those items are in addition to the \$373,057.15. That is up to the 31st December, 1930.

By the Chairman:

Q. Mr. Swezey, it would almost appear that you had almost every attorney or firm of attorneys of importance in the province of Quebec with the exception of Mr. Jacob's firm?—A. Well, Mr. Chairman, on a \$75,000,000 project you have to deal with a number of legal points that come up from all directions, and where you have the annoyance of two or three years fighting with 15 or 20 enemies shooting at you from all directions, why we have been at our wits end all the time, heading off a hole here and a hole there, defending ourselves against everything that crops up.

Mr. JACOBS: And you are not through yet.

The WITNESS: We are not through yet. These lawyers we have just now, I am afraid, are going to cost us a lot of money too. I mean those gentlemen on my left.

Mr. JACOBS: When they hear those figures.

The WITNESS: It is going to cost me something for them.

Mr. HELLMUTH: What are you trying to do, reduce the fees?

Mr. WHITE: I am just trying to show the people up in Toronto what the Montreal lawyers get. I am working for you if you only knew it. Up to the 31st of December, 1930, the total was \$436,402.66. Talk about a nuisance value.

The WITNESS: That is less than half of one per cent of the cost, Mr. White.

Q. Half of one per cent of what cost?—A. Engineers require a bigger percentage than that.

Q. Oh, well, but they do work, their work is productive.—A. I will take your word on that.

Q. Could you explain why it was, for instance, that you had both Mr. Greene and Col. Thompson to look after what was going on here and file the papers?—A. I was afraid that some of my opponents might get hold of them and cause me more trouble and a lot more than we had to pay for.

Q. Again a nuisance value.

By the Chairman:

Q. Surely you did not anticipate that either Mr. Greene or Mr. Thompson would deliberately go out and dig up some barrier and throw it across your pathway.—A. No, but my opponents and the other power companies might have retained them.

By Mr. White:

Q. Supposing they did, what could Mr. Greene or Mr. Thompson do except keep you advised as to what was going on here and what applications were being filed, and bring your papers up from time to time for filing?—A. Well, at least while they were working for me they would be kept out of mischief against me.

Q. What mischief could they do against you?—A. I don't know.

Q. I cannot conceive of it. You keep talking about those obstacles all the time, and it has not been made clear to me what a lawyer can do except to look after your interests and file papers, and that is all I suggest that either Col. Thompson or Mr. Greene did do for you.—A. If they had been opposed to me they might have stirred up a lot of trouble. Lawyers do. They have a way of stirring up trouble.

Q. Oh, no, you are not going to get away with that.

Mr. JACOBS: It is a case, Mr. White, of where the wicked fly away no man pursues.

By the Chairman:

Q. I cannot follow your turn of mind, Mr. Sweezy. You say if you got a hold of Greene and Thompson and paid them that was the best thing to do because you were afraid someone else might employ them.—A. After we got them we kept them busy with a lot of other things besides.

Mr. WHITE: I have seen their bills.

The CHAIRMAN: We have gone over their bills.

Q. Have they not some peculiar influence here?—A. Not that I know of.

By Mr. White:

Q. I hope there is always a reason for selecting a particular solicitor to do one's work.—A. Well, when we appear before a committee, for instance, as we

did one time before a committee of the Ministers here, I think I counted about 12 opponents at the time. I do not know if I could remember them all now to name them, but each one was represented by a lawyer or counsel or whatever you wish to call him and the prestige of that man had some influence, I presume, not only on the committee but on the public at large.

Q. That was the time the protestors appeared?—A. Yes.

By Hon. Mr. Mackenzie:

Q. Have you still got lawyers employed in Ottawa?—A. Yes. We from time to time have work for lawyers to do.

Q. I mean at the present moment?—A. Yes.

Q. May I ask who they are?—A. Why, I think Mr. Daly is one.

By Mr. White:

Q. I thought Mr. Daly sent you back your retainer.—A. I don't know, perhaps he did.

By Mr. Jacobs:

Q. They are departmental solicitors, are they not?—A. There is a lot of work to be done before the departments.

Mr. WHITE: I have gone over Mr. Greene's bill and Mr. Thompson's bill very carefully, and so far as any expression of mind is worth anything I cannot say that it is something that could not have been done by one just as well as two. For instance, two men walk up with a document to the Public Works Department. Why one could not I do not know.

Mr. JACOBS: They had to get one to watch the other, I suppose.

Mr. WHITE: Ottawa lawyers are not like that.

By Mr. White:

Q. Perhaps you will explain it. If you cannot we will let it go and go on with something else.—A. I have tried to explain why I employed these fellows.

Q. I suggest to you it is a holy and sufficient reason.—A. I do not know what other reason there could be. I certainly was endeavouring to do all I could to get this thing through and did not want any opponents.

Q. Did not you get both of them because you understood they were friends of the government?—A. No, that had nothing to do with it in my opinion. I knew they were not enemies of the government. But I mean friends did not necessarily mean—

Q. Persona grata, we will put it that way.

By Mr. Lennox:

Q. Did you employ any conservative lawyers?—A. Yes.

Q. In Ottawa?—A. I do not know whether we did in Ottawa, but I know we did.

Mr. JACOBS: More than 50 per cent of the lawyers he has named here are conservatives.

The WITNESS: I do not recall just who they are, but several of the people who have been named here. I do not know whether they are Liberal or Conservative. I think as a rule most law offices have one of each.

Mr. WHITE: You were not looking to your left, were you when you said that.

Q. Then I see Mr. Pugsley—William G. Pugsley, K.C., renders you a bill for \$10,000 including a retainer of five, and the account is "services October 8, 1927—March 31, 1929." The cheque is issued by the Marquette Investment

Corporation. Will you tell us what Mr. Pugsley did with that?—A. Now, I would not like to trust to my memory. I know he was kept busy on various things. The treasurer would be the better man to answer that.

By the Chairman:

Q. Which one of the legal firms finally appeared in Ottawa the day that the recommendation was made to council for the passing of P.C. 422?—A. I presume Mr. Geoffrion himself.

Q. Do you know?—A. I do not know, sir.

Q. Was not that a red letter day in the history of this huge concern?—A. It would be.

By Mr. White:

Q. With a great battery of lawyers, would it not be best to make the best selection?—A. I always considered Mr. Geoffrion as our best counsel. I do not think they had ever appeared before the ministers—there was a committee of three ministers in February, 1929.

By the Chairman:

Q. That was at the time the application was changed?—A. I do not recall the circumstances or the details of that; it may have been somewhere around there.

Q. What three ministers were at that hearing?—A. I think the Minister of the Interior, Mr. Stewart, Mr. Cardin, and I do not recall the other—yes, Mr. Elliott, the Minister of Public Works, and all our opponents appeared then to express their disapproval.

Q. And did their disapproval prevail?—A. Well there was no immediate decision given then, and later we got the order in Council.

Q. And in the interval, you made some settlements did you not?—A. Some settlements?

Q. Yes, settlements with the protesting parties?—A. I do not recall, sir, just what that might be unless we have some record that might bear on that. I do not recall it.

Q. For instance, Mr. Forsythe's clients were protestors. Who was Mr. Forsythe acting for at that time?—A. Cedar's Rapid.

Q. That is Montreal Light, Heat and Power?—A. Yes.

Q. They are settled with?—A. Oh, that was a long time afterwards, sir.

Q. Between the day of the meeting of protest and the 8th March?—A. Oh, no, it was months and months after that.

Q. Had you entered into any negotiations to satisfy them?—A. No, we did not enter into any negotiations with them at all after I purchased Mr. Jones' shares.

Q. What date did you purchase his shares on?—A. It was about the end of July or the beginning of August.

Q. After the meeting before the three ministers when nine people appeared to protest, the order in Council was subsequently passed without you making any arrangements?—A. Without making any arrangements with anybody.

Q. With any of these people?—A. No, not that I recall.

Q. No arrangement with the Canada Steamship Line?—A. No sir.

Q. Canada Light, Heat and Power?—A. No.

Q. Cedars Rapid?—A. No.

Q. Dominion Marine?—A. No.

Q. Great Lakes?—A. No.

Q. Montreal Light, Heat and Power?—A. No.

Q. When did you enter into the agreement with Holt and his crowd?—A. We entered into an agreement to sell them 150,000 horse-power and agreed to bury the hatchet between one another about the end of July or the beginning of August.

Q. After the passing of your order in council?—A. Yes, that was some months later.

By Hon. Mr. Mackenzie:

Q. 1929?—A. Yes.

By the Chairman:

Q. The Montreal Light, Heat and Power now get their power from Shawinigan?—A. Shawinigan and Cedars Rapid, which I understand they own. They have several plants.

Q. Well, at any rate, Mr. Swezey, now there is no quarrel between your company and Canada Steamship Lines?—A. I am not so sure. I do not know whether they want to protest any further or not.

Q. Have you made some kind of settlement?—A. I have made no settlement whatsoever.

Q. Have you made any arrangement at all?—A. With Canada Steamships, sir? No, sir.

Q. Was their protest based on interference with navigation?—A. Yes, sir, because they claimed they could not run the rapids if we diverted the water.

Q. And is that left standing?—A. It is left standing, and it may crop up somewhere again, I don't know. Their protest is quiescent.

Q. Canada Light and Power?—A. We have made no settlement with them. Though I understand that company is owned jointly by the Montreal Light, Heat and Power and the Shawinigan Company and others as well. I have heard no objections from them, but I have no reason to think they are friendly or otherwise.

Q. What is your arrangement with Montreal Light, Heat and Power? Is it fair to say that your arrangement with them would take care of Canadian Light and Power?—A. No, sir, it would not.

Q. There is no other distant protestor that you now have?—A. They may not protest. I do not see what they could protest on, because we are not interfering with navigation or with the level of the lake, and consequently with the quantity of water they would take.

Q. Their power plant comes from the old canal?—A. The old canal, south of the Cedars Rapid plant.

Q. They are protesting, apparently?—A. They were joined to those opposing us in the early stages.

Q. You may still receive opposition?—A. We may still, but I minimize it compared with what it was at that time.

Q. They have just as much right now as then?—A. Yes. To-day they may think we are more important than them.

Q. Would your increasing importance minimize their right to protest?—A. One always hesitates to tackle something that is bigger than it used to be. Our position on the river counts for something more than it did at that time.

Q. The Cedars Rapids—that is Holt's affairs is it?—A. Yes.

Q. You have some kind of an arrangement there?—A. Yes,—not directly with Cedars Rapids, but our contract to supply Montreal Power with 150,000 horse-power.

Q. That will take care of Cedars Rapids. Are you expecting any more difficulty there?—A. We hope not. We do not see any reason.

Q. Dominion Marine—did you settle with them?—A. No sir.

Q. Might you still meet with difficulty with them?—A. I am not so sure.

By Mr. Jacobs:

Q. Who are the Dominion Marine Association?—A. They are an association of which I understand the Canada Steamships hold the largest percentage of memberships in, and they were utilizing and using every avenue that they could to oppose us at the time to make the strongest and most united front.

By the Chairman:

Q. The basis of their protest being that your operations were going in some way to interfere with navigation?—A. Yes. They brought up a lot of arguments which were rather absurd at the time, and we did not have much chance to answer.

Q. They, at least, were not in a position of placing a nuisance value on themselves?—A. No.

Q. Then there is Great Lakes and Atlantic Canal and Power Company, Limited, and Transportation and Power—that is the Cantin concern?—A. Yes.

Q. Have you settled with them?—A. No sir.

Q. They are still?—A. Yes.

Q. Did they place a nuisance value on themselves?—A. Yes.

Q. Has anything been done to capitalize the value?—A. Yes, it has been valued all the way from one million down to the last figure I heard which was \$125,000.

By Mr. Jacobs:

Q. The suit against your company is for \$10,000,000?—A. Yes.

By Hon. Mr. Mackenzie:

Q. What do you mean by the last figure being \$125,000?—A. They would be willing to settle for that.

By the Chairman:

Q. The Montreal Light, Heat and Power—you have entered into agreements with them; they are not protesting any more?—A. No, they are not protesting any more.

Q. The Shipping Federation of Canada, you do not anticipate any difficulty there?—A. I do not know. There is a lot of misconception about our canal, and its adaptability to navigation, but we believe that when they understand the depth of water and the width of the canal and the work that is being done that they will rather welcome us as a good factor in promoting deep waterways. There is another factor to consider in regard to shipping interests. The introduction of deep waterways in the St. Lawrence will make obsolete a number of ships which are now using the smaller canals, and there may be an objection on the part of steamship companies to postpone the deep waterways.

Q. How big are those ships?—A. They use 14 foot draft, whereas the Great Lakes and the upper sections—

Q. How many of those ships are 14 foot draft?—A. I do not know. There are a great many of them.

Q. A couple of dozen?—A. Much more than that.

By Mr. Jacobs:

Q. And would that make them obsolete?—A. All the ships that now use the St. Lawrence Canals from Lake Ontario down are 14 foot draft, and much smaller ships than those are plying the Great Lakes above Kingston, say, or Prescott. Those larger ships—the object of the deep waterways I should say,

is to brink those larger ships down to Montreal. Now, obviously, once the larger ships can come to Montreal, the small ships become at least very early in the game obsolete.

Q. You use them as lighters?—A. They might—but not so valuable as the larger ships.

Q. They would not have to transfer their cargoes into the smaller ships?—A. No.

By the Chairman:

Q. You do not suggest that as an argument why they should get compensation?—A. No, I do not say that, sir, but I say they may not be very sincere in supporting the idea of the deep waterways.

Q. The Soulanges Power Company, have you settled with them?—A. The what, sir?

Q. The Soulanges Power Company?—A. No. They have not bothered us any. I do not think they have amounted to much.

Q. They protested before the ministers?—A. Yes.

Q. Who is this Miss A. Bissant?—A. She owns a farm.

Q. Did you settle with her?—A. No. We did not hear from her again.

Q. After the meeting with the three ministers which took place sometime early in January, 1929, and the application was amended, I believe, at that meeting, did you do anything in particular to advance your application with the Governor in Council, or did it just go along until it received approval?—A. I think it just went along by itself. We had to be patient.

Q. After the meeting with the three ministers, what was the conclusion arrived at if any?—A. There was no conclusion evident at that meeting, or following the meeting. I presumed it was discussed in Council. Those three ministers, I take it, were a committee from the Council to receive all the protests of the various companies who were against us.

Q. At any rate, after the meeting in February, 1929, you did not see, nor did anyone in your behalf see, any member of the government?—A. Oh, I would not say that, but I do not recall. I presume that Mr. Jones, who was then our chief worker, saw Mr. Elliott who was the Minister of Public Works.

Q. Did he report?—A. I do not recall what he said. No. He could not get very satisfactory reports until later on—until it had been discussed in the Cabinet.

By Mr. Jacobs:

Q. Mr. Jones has never been noted as a rabid liberal?—A. No, he was not. He was noted rather the other way.

The CHAIRMAN: What possible bearing would that have?

Mr. JACOBS: I just wanted to interject that and have it on the record.

Hon. Mr. MACKENZIE: Depending on the questions, I thought it might have a lot.

By the Chairman:

Q. It is a fair statement that after the meeting with the three ministers in February, 1929, no concerted effort was made on behalf of the Beauharnois Company or yourself to procure the passing of P.C. 422, but it just same through?—A. I do not recall anything that was done. I do not say that we lay down and were quiescent. I think we were anxious. There did not seem to be much done, except we had gone that far.

Q. Did Senator McDougald take any interest in it?—A. I do not recall if he was even here at that time, but he took an open interest at that time. I do not recall whether he did anything or anybody did anything. I think the only thing we decided to do was sit quiet and find out what would happen.

By Mr. Jacobs:

Q. Were they not waiting for a decision from the Supreme Court of Canada?—A. I am not sure if the decision had been given—shortly after probably.

Q. It was in February?—A. I think this meeting must have taken place after the Supreme Court decision.

By the Chairman:

Q. I may tell Mr. Swezey that after this public meeting of protest the whole matter was referred to a committee of the Cabinet to investigate and report to Council?—A. Well, I do not know that.

Q. What part were you taking in it during those months?—A. I was more of an impatient observer. I was listening to my counsel and hearing the arguments, and trying to figure out how we were ever going to save our money in it.

Mr. WHITE: You must have been busy if you listened to them all.

Mr. JACOBS: Did you have them all in one room?

WITNESS: No, happily not.

By the Chairman:

Q. And as a result to-day, you are unable to give us any idea of how P.C. 422 was passed, or why it was passed?—A. It was passed following our request for its passage and following our persistent efforts to discuss it with the ministers, and Mr. Jones discussed it with the Minister of Public Works. He was very elusive and evasive, and would never give us any definite reply, and it was only after I heard a speech by the Premier in the House that I realized that he had in mind that the water-powers belonged to the province, and I thought he expressed it very clearly, and I had to confess that we would get somewhere and the province would be allowed to go on with its own developments without being hampered in any way. This meant a great deal to the Province of Quebec, and those were the arguments we were trying to use with the ministers, or whoever else had to do with the acknowledgement of the value of water-power, and what the province would accomplish with it.

By Mr. White:

Q. Could you tell us what Mr. Sifton did for his \$20,000?—A. Well, now, I might forget a lot of things if I started to enumerate them, and you would minimize their value.

Q. Just a moment. I do not appreciate remarks of that kind, and I would be obliged if you would not make them?—A. I certainly did not mean any offence.

Q. Your remarks, I consider, are quite offensive?—A. I am sorry. I did not mean that in any way.

Mr. FORSYTHE: There have been some offensive remarks made by others.

Mr. WHITE: There will be some more.

Mr. FORSYTHE: I have no doubt. I am thinking of some myself.

Mr. WHITE: Don't stir me up.

Q. I said can you tell me what Mr. Sifton did for his \$22,000 odd?—A. Well, we were in the early stages of our work then and his first duty was to figure out the number of obstacles in our way and from time to time we came to the conclusion they were insurmountable, and kept at them until we wore some of them down.

By the Chairman:

Q. He would make a report to you of the obstacles as he viewed them?—A. Yes.

Q. Do you mind giving me a list of the main ones?—A. The main obstacle was the rather indeterminate opposition as to the ownership of water-power as between the Provinces and the Dominion, and one great difficulty was, if we did get something from Quebec we were more or less up in the air.

Q. You knew that without paying substantially that amount.—A. We did, but I think I said to-day I knew very little of who was who in Ottawa. I knew who was who in Quebec because I could always go direct to the Premier. But in Ottawa I did not know whom to approach, and Sifton with his experience was able to operate to advantage in that respect.

By Mr. White:

Q. Perhaps I can help you a little bit. I have before me a letter of May 19, 1928, starting off "Dear Hugh," whom I take to be Mr. Griffith.—A. Yes.

Q. Signed by Winfield B. Sifton.

DEAR HUGH,—Since last a/c May 5th my services and expenses have been as follows: Mon., May 7, to Friday, May 11, Ottawa Chateau, 5 days; Saturday, May 12, to Sunday 13, Montreal Ritz, two days; Monday, May 14, to Tuesday, May 15, Toronto, King Edward, two days; Wednesday, May 16, Ottawa, Chateau, 1 day; Thursday, May 17, to Friday, May 18, Montreal, Ritz, 2 days. In all twelve days.

Total, including railways, fares and expenses, hotel bills, tips, taxis and incidentals, plus Prof. Goforth's hotel bill in Ottawa, 2 trips, \$576.39, for which I would be pleased to receive cheque.

Then on the same date another letter:—

DEAR HUGH,—I beg to acknowledge cheque for \$1,318.25 as per yours of May 14. I have noted that this covers \$818.25 as per my a/c of May 5.

You have evidently overlooked my account, etc.—

And then on April 28, 1928:—

DEAR HUGH,—I have just paid \$43.65 as arranged for copy of typed testimony before U.S. Senate Committee. Copy handed by me to Sen. MacDougald.

I would be pleased to receive cheque in reimbursement.

Was that the kind of thing that you were paying Mr. Sifton for?—A. That was some of it but we were also greatly concerned about selling power, and we had a lot to do with meeting prospective power users and trying to sell our ideas as to the feasibility of establishing industries in that site.

Q. Why hire a lawyer to do that? I think what you wanted was a super-salesman like R. O. Sweezy. I suggest to you also that Mr. Sifton would not have helped you a great deal to sell to the Ontario Power Commission.

Mr. JACOBS: Why?

Hon. Mr. MACKENZIE: Why not?

Mr. WHITE: They do not like lawyers up there in Toronto.

Mr. HELLMUTH: You are impertinent.

By Mr. White:

Q. I suggest to you that he would not have helped you there.—A. Well, he was a very active man.

Q. Am I right now that Mr. Sifton would not have helped you any in obtaining a contract with the Ontario Hydro Power Commission?—A. I do not suppose his prestige—

Q. Cannot you answer me categorically?—A. I say his prestige was not such as to influence the Commission perhaps in selling power. They were interested more from an engineering standpoint as to where they could get power and what it would cost them.

By the Chairman:

Q. They were probably interested from a business standpoint.

By Mr. White:

Q. Then Mr. Symmes points out to me, Mr. Chairman, that the totals of the bills for Mr. Sifton are \$31,409.47 instead of the figure that I gave you. And I think you said to-day that Mr. Sifton was rather persona non grata in Montreal.—A. I did not say personally, but for some political reasons the Sifton name was not very favourably received in Quebec.

Q. If they were not useful in Quebec and they were not useful in Toronto, where was he useful?—A. Well, he was a very astute observer.

Q. But where?—A. Everywhere.

Q. Except Montreal and Toronto?—A. No, he was an astute observer in Montreal and Toronto, but there is a difference between his powers of observation and his prestige, or influence.

Mr. JACOBS: Events have shown that he was a highly useful person, Mr. Sweezey.

The WITNESS: Yes.

By Mr. White:

Q. In what respect? Perhaps you will elaborate that a little bit, as events have shown. What events show that?

Mr. JACOBS: He sold 800 shares to somebody. If my memory is correct it was he who secured the sale of 800 shares in the early stages of this company.

The WITNESS: He was particularly useful also in setting up the syndicate in such a way as to make it a workable undertaking, and he was very astute on the legal points of where a syndicate might get into trouble by the lack of protection through the personal liability.

Mr. LENNOX: What is the date of his retainer?

Mr. WHITE: I do not know of his retainer.

Mr. LENNOX: When did he do his first legal work, because I do not think he was retained by the syndicate.

The WITNESS: Yes, he died before the Syndicate was completed.

Mr. WHITE: This is April 28th, 1928, the earliest one I have. Mr. King points out to me that the earliest bill rendered was September 17th, 1927.

Mr. LENNOX: How much money did Walter Mitchell get?

Mr. WHITE: \$15,000.

Mr. LENNOX: What services did he render?

Mr. WHITE: I do not know. Perhaps Mr. Sweezey can tell us.

The WITNESS: He did a lot of chasing back and forth between Quebec and Montreal. It had to do mostly with the Quebec end of the business.

Q. He was the Provincial Treasurer.—A. No, he had been out a long time then.

The CHAIRMAN: Is that his whole interest, in the project, legal.

Mr. WHITE: Oh no, he was a short shareholder.

The WITNESS: Yes, he was a shareholder, it was in the record.

Q. How many shares did he have?—A. I am not sure how many he had. He had some through Mr. Jones and they were subsequently transferred through Mr. Jones. Some of them were transferred. I do not know if they were all his.

By the Chairman:

Q. Were you ever at any meetings here in Ottawa with Mr. Mitchell yourself?—A. No, I do not recall him. I met him, saw him here in Ottawa, but I was at no meetings with him.

Mr. WHITE: It was not an assembly.

By the Chairman:

Q. Was it just a conference?—A. What I mean I met him in the rotunda of the hotel. I was not at any meeting with him. I have seen him here.

Q. I thought someone gave evidence of a meeting between Mr. Mitchell and yourself at the Chateau.—A. There may have been such a meeting but I do not recall it at the moment.

By Mr. White:

Q. Sure?—A. Quite sure, sir. A lot of things happened at many meetings that would be very difficult to remember.

By the Chairman:

Q. Would you say that there was no meeting?—A. I would not say there was not, but I do not recall any at the moment.

The CHAIRMAN: Have you any further questions, Mr. White.

Mr. WHITE: I am afraid I am mistaken about that figure, Mr. Chairman. It was \$8,000 instead of \$15,000.

By the Chairman:

Q. When you paid Mr. Jones off was that money your own?—A. The first money, the first payments were my own, but then I had to sell a lot of that stock to get the money with which to pay him; but none of that money I may add, came from the Syndicate or any of the financing of the company. It was individual money and money that I got entirely outside.

Q. And the total you paid Jones and his associates was something over three and a half million dollars.—A. Yes. I think there were 7,200 shares. No, I beg your pardon, it was 6,900. There were 7,200 mentioned for a while and then we readjusted it to 6,900.

Mr. WHITE: I took the wrong figure again, Mr. Lennox. I find that the payment to Mr. Mitchell was \$7,500.

Mr. MONTGOMERY: Going down all the time.

Mr. WHITE: The next one was the figure \$15,000.

By the Chairman:

Q. What you paid Jones was \$3,795,000.—A. Of course, that included, you understand, the several people with him. It was not Mr. Jones alone.

Q. Who were with him?—A. Well, as I remember it, there was the Credit General du Canada, which was Senator Raymond, Mr. Stadler, and Mr. Mitchell. I do not recall the other names now, but it is a matter of record.

Q. If you could get the record could you show from it who were with Jones and participated in that \$3,795,000?—A. I do not think I could show you all the ones who were with Mr. Jones because he was holding stock for people in his own name but not for himself. I think probably he was helping to finance

some of them. I mean probably he had paid on account for them and was carrying the stock as security.

Q. If you saw the list could you give us the names?—A. I could give you a fair approximation of them.

Mr. WHITE: Let us have that list of those who were shareholders at the end of the Syndicate.

Mr. JACOBS: I think Mr. Jones said that that included all those who gave him their proxies.

The WITNESS: Yes.

By the Chairman:

Q. Do you know approximately how much Jones got himself?—A. I think he had 1,600 shares.

Q. That will be 3,200, will it?—A. Yes. Then I think he held 200 or 400 shares—I am not sure—for his brother-in-law, Dr. Webster, and he held some in his name, W. G. Mitchell. Now that, I think, accounts for about 3,200 or 3,400, because he had his own original 800 which became 1,600 and then 3,200, and then he had 200 or 400 for his brother-in-law.

Q. Well, you are sure at any rate that he had 3,200 of his own?—A. Well, jointly with Mitchell.

Q. But he gave evidence here that he bought the 800 and they were his own.

Mr. MONTGOMERY: He did not give evidence that they were his own, Mr. Chairman. I have checked that since you made the statement the other day, and you will see that he subscribed for a second 800 not 1,600.

The CHAIRMAN: But the 8 became 1,600 and then it became 32.

Mr. MONTGOMERY: The first required no subscription. The second subscription was for cash, and you will see from his evidence, that his second subscription was for 800. In other words, the first subscription was for himself.

Mr. LENNOX: Look at page 373:

By Mr. Morin:

Q. In this syndicate there were 5,000 shares?—A. Speaking from memory, 5,000 shares, in which I took 800.

Q. Shares of one dollar.—A. No, they were not—

Q. No par value?—A. There was no par value, 5,000 units of interest.

Q. 5,000 units?—A. 5,000 units.

Q. You bought 800?—A. I bought 800.

Mr. MONTGOMERY: That is right, and then he assigned half of them.

The CHAIRMAN: Where is there any evidence that he assigned half of them.

Mr. MONTGOMERY: He was not asked the question at all.

Mr. FORSYTHE: I think you will see when you were questioning Mr. Jones about the profit he remarked "I made so much money."

Mr. LENNOX: Then on next page:

Q. How much did you pay for these 800?—A. I paid for that 800 shares—the Syndicate required more money by that time—

The CHAIRMAN: I cannot hear you, Mr. Jones.

The WITNESS: I beg your pardon, sir. The Syndicate required more money, and it came along and I subscribed for another 800.

Mr. MONTGOMERY: That is right.

Mr. LENNOX: There is no person else suggested as being interested.

The CHAIRMAN: I have it down here that he said "I bought 800 units for \$30,000, which afterwards became 1,600 and then 3,200."

Mr. MONTGOMERY: That is right.

The CHAIRMAN: And then when Swezey called the turn on Jones or Jones called the turn on Swezey he sold them for \$550 a unit.

Mr. MONTGOMERY: And the profit was \$780,000. If you figure that out at half it still comes to that.

The CHAIRMAN: There is nothing in the evidence to indicate that he did not own the original 800.

The WITNESS: Of course I knew Mr. Mitchell was with him in that first 800. Mr. Jones did the financing. He paid the money, but what arrangement there was between Mr. Mitchell and himself is something else.

The CHAIRMAN: Mr. Jones most certainly left this idea with the committee that he and he alone held those 800 units.

Hon. Mr. MACKENZIE: The facts are those, that when Mr. Jones gave his evidence the other day that his profits were \$790,000. The next day Mr. Griffith gave his evidence indicating that the profits were about twice that amount which left quite a discrepancy which was to be cleared up by recalling Mr. Jones.

Mr. MONTGOMERY: He said \$780,000 or \$790,000.

Mr. LENNOX: Yes, but the books show \$1,760,000.

Mr. WHITE: There is a transfer from Jones to Mitchell somewhere.

Mr. WHITE: Yes, there is a transfer.

Mr. GRIFFITH: I am quite sure Mr. Jones was under the impression that he had transferred all that was due to Mr. Mitchell. When I gave my evidence I gave it from the books.

Mr. WHITE: How many shares were transferred to Mitchell by Jones.

Mr. GRIFFITH: 500.

Mr. WHITE: When.

Mr. GRIFFITH: On May 23, 1929.

Mr. STEWART: I have July 23, 1929, transfer to Mitchell.

Mr. MONTGOMERY: Jones received altogether \$1,760,000 at a cost of \$190,000, which leaves a profit of \$1,570,000. Half of that is \$785,000, and he gave the figure of \$780,000 or \$790,000.

Hon Mr. MACKENZIE: \$790,000.

The CHAIRMAN: Did Mitchell have the other half?

Mr. MONTGOMERY: He did not tell me who had it.

Mr. LENNOX: What I understood from his evidence was that he held a certain number of shares in his own name, and that he was going to protect those who had stood by him and sent him their proxies. There was no suggestion of Mitchell or any person else being interested in the 3,200 shares.

Mr. MONTGOMERY: He did not mention any other person.

Mr. LENNOX: He did not mention any names, but he said he was not going to upset the offer made to him unless the corporation took the shares of the men who sent him their proxies.

Mr. MONTGOMERY: Quite correct.

The CHAIRMAN: And then pressed as to who sent proxies to him. He could not remember a single one, his mind was a blank, and then he said "I remember the son of the Hon. George Murray".

Mr. MONTGOMERY: If you figure it out, and he will tell you that, he said they never asked me. I met him outside. I did not hear all of his evidence, and he said they only asked me what profit I made and I told them—

Mr. LENNOX: We will have him back anyway.

Mr. MONTGOMERY: He got \$1,760,000 which cost him \$190,000 which leaves \$1,570,000, and one-half of that is \$785,000.

By Mr. White:

Q. In reference to the Jones transaction, Mr. Sweezey, the \$550 a share, that price was arrived at by figuring 150 in cash and \$10 a share.—A. At that time, sir, we did not know how much cash we would get.

Q. How did you arrive at the price then?—A. It was a price that Mr. Jones set at which he would either buy or sell. That was his own figure that he named.

Q. It just happened to be \$150 and \$10 a share.?—A. Later on we decided that feature about \$150 until we had worked out our financing program. Mr. Jones though did say to me "I will either buy or sell and that is the price". Personally I did not feel that I could sell because I had been the one who started this thing and had to carry through whether I made or lost.

Q. There were a thousand shares transferred by H. B. Griffith and a thousand shares transferred to Arthur Dufresne to Senator McDougald on October 1st, 1929, and on October 9th he transferred 2,000 shares to the Montreal Trust Company and Newman-Sweezey; on the same date there were 6,000 shares transferred. I am speaking of Syndicate shares transferred to the Montreal Trust Company. What was that transaction?—A. I don't just know. I would like to ask Mr. Griffith about that, the 6,000 shares. I do not recall just what that transaction was. What date was that?

Q. October 9th, 1929. They transferred 8,000 shares between them on that date.—A. Well, those 6,000 shares must be the Jones transaction, that I took and transferred through my firm, Newman-Sweezey & Co.

Q. I would like to know what they are?—A. Of course, I did not try to remember them because the books of record are always there. I cannot remember precisely the various transactions that were made especially at that time when I was called upon to raise \$3,000,000 or \$4,000,000 and had to do some hypothecation.

Q. May we take it that it was a financing transaction?—A. I think so.

Mr. WHITE: All right, I will accept that.

By the Chairman:

Q. Who paid for the 1,000 shares of Mr. J. R. Lefebvre?—A. J. R. Lefebvre.

Q. He was in the office of Senator Raymond?—A. He was the secretary of Mr. Timmins. Now, it was either Mr. Timmins or Senator Raymond paid for that, I do not know which.

Q. That is part interest is it not?—A. Yes, I take it that is part interest.

By Mr. White:

Q. Those 8,000 shares represented at distribution \$1,200,000 in cash, did they not?—A. Distribution? You mean at \$150?

Q. Yes?—A. Yes.

Q. And 320,000 shares?—A. Yes.

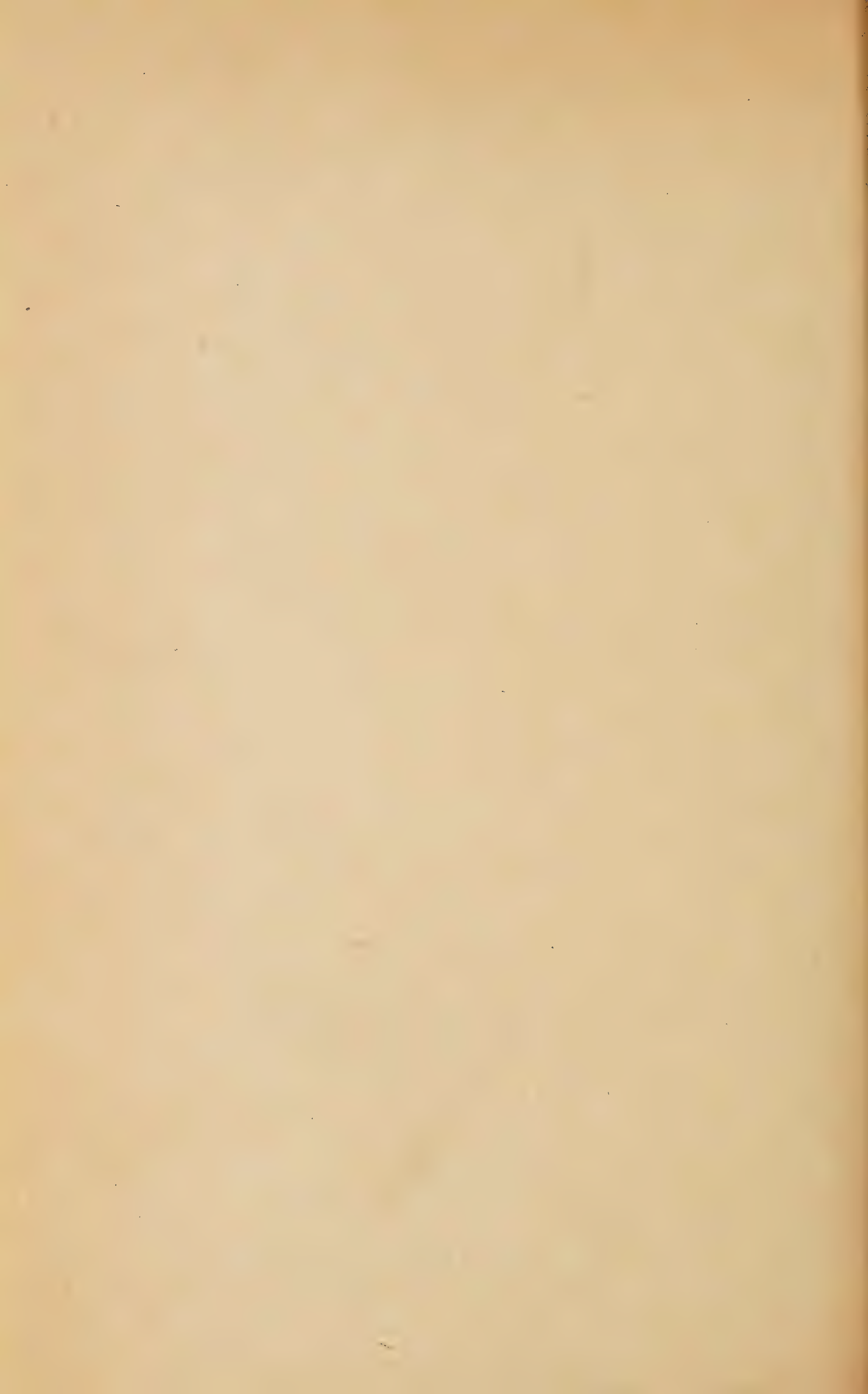
Q. A little more than 25 per cent of the whole syndicate?—A. 8,000 shares out of 25,000 would be nearly one-third.

Q. I figured out twenty-six and two-thirds per cent. At least Mr. Symmes figures it out?—A. Well, he probably figured the 30,000 shares instead of 25,000.

Q. There were only 25,000 sold?—A. Yes.

Q. That would be about a third then?—A. Yes.

The Committee adjourned to meet at 11 o'clock a.m. Tuesday, July 14, 1931.



Mr. Dore.
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Special Committee

SESSION 1931

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON



BEAUHARNOIS POWER PROJECT

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 14

TUESDAY, JULY 14, 1931

WITNESSES:

- Mr. Hugh B. Griffith, Secretary Treasurer, Beauharnois Power Corporation, Limited.
- Mr. R. O. Swezey, President, Beauharnois Power Corporation, Limited.
- Mr. Arthur E. Dubuc, Chief Engineer, Department of Railways and Canals, Ottawa, Ont.
- Mr. Duncan W. McLachlan, Chairman, Canadian Section of the Joint Board of Engineers, Department of Railways and Canals, Ottawa, Ont.
- Mr. John P. Ebbs, of Messrs. Haydon and Ebbs, Barristers, Ottawa, Ont.
- Mr. Ainslie W. Greene, Barrister, Ottawa, Ont.
- Mr. L. Clare Moyer, Barrister, Ottawa, Ont.

EXHIBITS FILED

No. 83—Copy of The Engineering Journal, March, 1924.

No. 84—Analytical statement by Robert Dodd and Company of Montreal respecting Beauharnois Power Corporation.

No. 85—Cheque, October 17, 1929, for \$50,000 issued by Marquette Investment Corporation in favour of Messrs. McGiverin, Haydon and Ebbs, Ottawa, Ont.

No. 86—Beauharnois Power Corporation, Limited. Cheque, June 12, 1930, for \$7,500 in favour of Messrs. McGiverin, Haydon and Ebbs, Ottawa.

No. 87—B.L.H. and P. Co. cheque, September 30, 1930, for \$7,500 in favour of Messrs. McGiverin, Haydon and Ebbs, Ottawa, Ont.

No. 88—Account, October 17, 1929, submitted by Messrs. McGiverin, Haydon and Ebbs, Ottawa, Ont., to Mr. H. B. Griffith, B.L.H. and P. Co., for \$1,857.24, together with cheque, December 16, 1929, from Marquette Investment Corporation in favour of Messrs. McGiverin, Haydon and Ebbs, Ottawa, Ont., for that amount.

No. 89—John P. Ebb's declaration of trust certificate, No. 217, for 1,600 part interests in Beauharnois Power Syndicate and additional 1,600 part interests in Beauharnois Power Syndicate.

No. 90—Report by Mr. Albert S. Crane, Consulting Engineer, New York, October 8, 1930, to Mr. R. A. C. Henry respecting Earthen Embankments.

No. 91—Memorandum, October 21, 1930, from Mr. T. H. Hogg, Consulting Engineer, Toronto, Ont., to Mr. R. A. C. Henry respecting Dykes along Canal of Beauharnois Power Company.

MINUTES OF PROCEEDINGS

TUESDAY, July 14, 1931.

The Special Committee appointed to investigate the Beauharnois Power Project, called to meet at 11 a.m., convened at 11.35 a.m. Hon. Mr. Gordon, the Chairman, presided.

Members present: Messrs. Dorion, Fiset (Sir Eugène), Gardiner, Gordon, Jacobs, Jones, Lennox, Mackenzie (*Vancouver Centre*), Stewart (*Lethbridge*).

Mr. Hugh B. Griffith, Secretary-Treasurer, Beauharnois Power Corporation, Limited, was recalled and further examined.

Mr. Griffith retired.

Mr. R. O. Swezey, President, Beauharnois Power Corporation, Limited, was recalled and further examined. In the course of the examination, Mr. White, K.C., of counsel for the Committee filed,—

Exhibit No. 83—Copy of The Engineering Journal, March, 1924.

Mr. Montgomery, K.C., of counsel for Beauharnois Power Corporation, Limited, suggested that Mr. Dubuc of the Department of Railways and Canals, Ottawa, Ont., be called as a witness.

Mr. White, K.C., suggested that Mr. McLachlan of the Department of Railways and Canals, Ottawa, Ont., be recalled for examination.

Ordered,—That Mr. Dubuc and Mr. McLachlan of the Department of Railways and Canals, Ottawa, Ont., attend for examination to-day at 2.30 p.m.

Mr. Swezey was cross-examined by Mr. Forsythe, K.C., of counsel for Beauharnois Power Corporation, Limited.

Mr. White, K.C., filed,—

Exhibit No. 84—Analytical statement by Robert Dodd and Company of Montreal respecting Beauharnois Power Corporation.

The Committee adjourned at 1 p.m. until 3 p.m.

The Committee resumed at 3 p.m.

Members present: Messrs. Dorion, Fiset (Sir Eugène), Gardiner, Gordon, Jacobs, Jones, Lennox, Mackenzie (*Vancouver Centre*), Stewart (*Lethbridge*).

Mr. Arthur E. Dubuc, Chief Engineer, Department of Railways and Canals, Ottawa, Ont., was called, sworn and examined.

Mr. Dubuc retired.

Mr. Duncan W. McLachlan, Chairman, Canadian Section of the Joint Board of Engineers, Department of Railways and Canals, Ottawa, Ont., was recalled and further examined.

Mr. McLachlan retired.

Mr. John P. Ebbs of Messrs. Haydon and Ebbs, Barristers, Ottawa, Ont., was called, sworn and examined.

Mr. White, K.C., filed,—

Exhibit No. 85—Cheque, October 17, 1929, for \$50,000 issued by Marquette Investment Corporation in favour of Messrs. McGiverin, Haydon and Ebbs, Ottawa, Ont.

Exhibit No. 86—Beauharnois Power Corporation, Limited. Cheque, June 12, 1930, for \$7,500 in favour of Messrs. McGiverin, Haydon and Ebbs, Ottawa.

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Exhibit No. 89—John P. Ebb's declaration of trust certificate, No. 217, for 1,600 part interests in Beauharnois Power Syndicate and additional 1,600 part interests in Beauharnois Power Syndicate.

Mr. Ebbs retired.

Mr. Sweezey was recalled and further examined.

Mr. Sweezey retired.

Mr. Ainslie W. Greene, Barrister, Ottawa, Ont., was called, sworn and examined.

Mr. Greene retired.

Two documents submitted earlier in to-days proceedings by Mr. Forsythe, K.C., of counsel for Beauharnois Power Corporation, Limited, were, by consent of the Committee, filed, as,—

Exhibit No. 90—Report by Mr. Albert S. Crane, Consulting Engineer, New York, October 8, 1930, to Mr. R. A. C. Henry respecting Earthen Embankments.

Exhibit No. 91—Memorandum, October 21, 1930, from Mr. T. H. Hogg, Consulting Engineer, Toronto, Ont., to Mr. R. A. C. Henry respecting Dykes along Canal of Beauharnois Power Company.

Mr. L. Clare Moyer was recalled and further examined.

Mr. Moyer retired.

Mr. Sweezey was recalled and further examined.

Mr. Sweezey retired.

On motion of Mr. Gardiner,—

Ordered,—That Mr. Robert Dodd of Robert Dodd and Company Inc., Royal Bank Building, Montreal, Que., be required to appear for examination to-morrow afternoon, Wednesday, July 15.

The Committee adjourned until to-morrow, Wednesday, July 15, at 11 a.m.

JOHN T. DUN,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,

TUESDAY, July 14, 1931.

The Select Special Committee appointed to investigate the Beauharnois Power Project met at 11 o'clock, Hon. W. A. Gordon presiding.

Appearances:—

Peter White, K.C., Louis Morin, K.C., B. H. L. Symes, for the Committee.

I. F. Hellmuth, K.C., G. H. Montgomery, K.C., L. A. Forsythe, K.C., for Beauharnois Company.

J. R. L. Starr, K.C., for Senator McDougald.

Hon. Lucien Cannon, K.C., for the Province of Quebec.

Lucien Moraud, K.C., for the Royal Trust Company.

The CHAIRMAN: Are you ready to go on now, Mr. White.

Mr. WHITE: I wanted to make one little correction, Mr. Chairman, just for the sake of being correct, and that is in regard to Mr. Starr's fee. I find on looking at the working sheets which have been prepared for me by Price Waterhouse, that the cheque which was issued to Mr. Starr was issued to the Dominion Securities by the Marquette Co., as stated by Mr. Starr yesterday.

Mr. STARR: Do you recollect whether there were any funds to meet it, Mr. White?

Mr. WHITE: Perhaps you will be able to speak more feelingly than I as to that.

Then I understand Mr. Griffith wishes to make a statement in regard to page 447 of the evidence.

The CHAIRMAN: Is that in connection with Mr. Newman.

Mr. WHITE: Yes.

Mr. GRIFFITH: Mr. Chairman, I have been reading through part of the evidence that I gave, and I find on page 447 of the printed evidence, in answer to a question by a Mr. White, I gave a list of the syndicate members. The second question reads:—

Q. Have you J. C. Newman?—A. Newman-Sweezey & Co., in trust 800.

That is obviously not an answer which refers to John C. Newman's interest. I thought for the purpose of clarity it should be established on the record that Mr. John C. Newman was a member of the first syndicate by virtue of the fact that he purchased 25, I believe, from his brother, Henry Newman, which became 50 part-interests in the second, that he applied and paid for 50 additional part-interests in the second syndicate.

The CHAIRMAN: That is his interest in the first along with others gave him the right to apply.

Mr. GRIFFITH: That is right, sir.

Mr. WHITE: Perhaps Mr. Griffith might speak as to this matter, if he knows about it. Just while you are there, Mr. Griffith, I find a note here of a payment of \$2,000 to Mr. Wilfred Gariety. Do you recall that?

Mr. GRIFFITH: That was included in the list of legal expenses, was it not.

Mr. WHITE: Yes.

Mr. GRIFFITH: Mr. Gariety is a lawyer in the city of Three Rivers. At the time he applied to Quebec for the amendment to the charter he was retained by us, with others, as I think you pointed out, to assist in the educational campaign.

Mr. STEWART: He would not be the Liberal candidate now in Three Rivers.

Mr. GRIFFITH: I do not know.

Hon. Mr. MACKENZIE: That is why the question is asked.

R. O. SWEEZEY, examination by Mr. White resumed.

By Mr. White:

Q. Then, Mr. Sweezy, I would like you to look at exhibit 62 which is the McRae plan filed with the Sterling Industrial application. You do not need to look at the whole of it. Do you recognize it?—A. I think I have seen that before in connection with the Sterling application. I am not absolutely positive. I have seen hundreds of them you know.

Q. I just call your attention to this note on the lower right hand corner. It is dated June 20th, 1924. The application was made, we are told, on the 5th of July, 1924?—A. Yes.

Q. And the plan is signed John B. McRae, engineer, and then there is this note on the bottom:—

This plan has been traced from plans made by the Department of Railways and Canals.

Did you understand that that was the kind of an application you were buying?—A. No, sir. I understood that it was one which had been carefully studied by Mr. Henry. I was impressed by the fact that it corresponded so closely to the plans that we had in mind.

Q. Yes.

Mr. LENNOX: Is that the plan that accompanied the application of the Sterling Corporation.

Mr. WHITE: Yes. It says on the bottom:

This plan has been traced from plans made by the Department of Railways and Canals.

Q. And then, while we are on that subject, did you know that Mr. McLachlan on the 24th of January, 1924—I am referring to Mr. D. W. McLachlan—read a paper before the Annual General and General Professional Meeting of the Engineering Institute of Canada?—A. I do not recall that, sir.

Q. You do not recall that?—A. No, sir.

Q. Would you be surprised to learn that? Is your eyesight pretty good?—A. Fairly good with my glasses on.

Q. Would you look at page 123 of the Engineering Journal, the issue of March, 1924. Look at the plan there and tell me whether it closely resembles the plan as filed by the Sterling Co.?—A. Yes, I would say that it does.

Q. Had you seen this article?—A. No, I do not recall having seen this.

Mr. WHITE: I think perhaps, Mr. Chairman, I had better file it. It is the March, 1924, edition of the Engineering Journal.

The CHAIRMAN: That will be exhibit No. 83.

Mr. WHITE: I am referring to pages 119 to—

Mr. LENNOX: What is the point in filing this, what information does it give?

Mr. WHITE: It is an article, a paper by Mr. McLachlan starting at page 119.

Hon. Mr. MACKENZIE: What is the point in it, Mr. White.

Mr. WHITE: The point is that the scheme set out in the Sterling application is pretty much as set out in this paper.

Hon. Mr. MACKENZIE: What is the inference from that?

Mr. WHITE: That it was available to anybody who wanted to make an application along those lines.

Mr. LENNOX: Is that before or after the Sterling application?

Mr. WHITE: Before.

Hon. Mr. MACKENZIE: Are you suggesting that McLachlan borrowed their plans or that they borrowed McLachlan's.

Mr. WHITE: I am not suggesting. I am suggesting that the tracing that was filed was simply a copy of the plan made by the Department of Railways and Canals, and that the project as described in the application is very similar to the one described by Mr. McLachlan in that paper.

Hon. Mr. MACKENZIE: It is also similar to the present project, is it not?

Mr. WHITE: No, I think not. I think there are important differences.

Hon. Mr. MACKENZIE: I have been unable to discover any in the plans.

By Mr. White:

Q. Now, Mr. Sweezey, looking over the Minutes of the shareholders of the Beauharnois Light Heat & Power Co., and referring to a meeting on the 17th September, 1928, it was pointed out to Mr. Griffith when he was giving his evidence that there is this Minute:—

The President submitted to the meeting a report of the activities of the company during the past year, and on motion duly seconded it was unanimously resolved that the acts of the directors be ratified, and so on.

Was that a verbal report, or did you make any report?—A. I do not recall. It must have been a verbal report. At those meetings it is customary to give a resume of what has preceded and what has occurred the year before.

Q. Can you tell me now what you said on that occasion?—A. I do not recall, sir.

Q. Are you trying to recall?—A. Well, in the short time since you have asked me the question, yes. But we have had a good many meetings and I have always given verbal reports of the work done up to date at all meetings. As a matter of fact, I cannot pick this special one out especially as it is some time back.

Q. Do you say that it was confined to a description of the work that had been accomplished up to that time?—A. Well, I do not see that it could be anything else.

Q. I see. Well, may I take it that it was confined to that?—A. Yes.

Mr. WHITE: At this stage, Mr. Chairman, there are several other matters that I might want to ask Mr. Sweezey about, but I have not had an opportunity of getting my material in the shape that I would like it, and I am sorry for that. The pressure is pretty great, and I would like the privilege, perhaps later, of recalling him.

Mr. MONTGOMERY: I wonder, Mr. White, while I think of it, if we could have Col. Dubuc here? He is the Chief Engineer, Department of Railways and Canals.

Mr. WHITE: I see no objection. Do you wish to call him as a witness?

Mr. MONTGOMERY: Yes. It is really to corroborate Mr. Henry on the Montreal Cottons.

The CHAIRMAN: Well, I am sure the members of the committee will be glad to hear any evidence that will be helpful. Would you mind consulting with Mr. White. Probably you can shorten it up.

Mr. WHITE: Just on that point, Mr. Chairman, I understood that the committee had expressed itself pretty forcibly on Mr. Henry's evidence as to whether he had not been consulted.

The CHAIRMAN: I do not just follow you, Mr. White.

Mr. WHITE: I understood that the committee had accepted Mr. Henry's statement that he had not been consulted about this project during the time that he was Deputy Minister.

The CHAIRMAN: That is what Mr. Henry has told us.

Hon. Mr. MACKENZIE: What is the point, Mr. Montgomery, you want to make.

Mr. LENNOX: I think if Mr. Montgomery wants to call Col. Dubuc we had better call him.

Mr. WHITE: Very well. I understand that Mr. Montgomery or Mr. Forsythe desires to ask this witness some questions.

Mr. FORSYTHE: I just wanted to ask Mr. Sweezey one or two questions.

Examined by Mr. Forsythe.

By Mr. Forsythe:

Q. Mr. Sweezey, there has been some evidence with respect to the regulation of Lake St. Francis. I understand that is a subject that you have yourself studied fairly closely, and I would like you to explain to the committee the proposals with regard to controlling that water level?—A. Well, the control of the level of Lake St. Francis is a very simple engineering problem. The building of part of the dam at the outlet of Lake St. Francis, as indicated by the red marks on that map, are the sites at which such dams will be built. Now, those dams all contain gates and the lowering or raising of those gates will maintain the level constant in Lake St. Francis at whatever desired level is required. Also the regulation at the power house is such that the regulation of the flow both through the canal and through the river is one of mathematical precision. There is no reason why engineering construction cannot make it so. I presume it is not necessary to go into the engineering details. I am explaining it in principle only.

By Mr. White:

Q. The keeping up of the level of the lake and diversion of the water also involves the question of what would happen in the present channel in the St. Lawrence River?—A. The regulation of the dam at the head of the channel plus the regulation of the gates at the power house can be done with mathematical precision. The exact number of cubic feet per second can be determined.

By Hon. Mr. Mackenzie:

Q. Would there be any danger of the river being dried up in the event of a full flow, if you got a full flow?—A. No, because the regulation at the foot of the lake is such that you can allow any number of cubic feet to pass through the dam; and the drying up of the river would not be advisable or desirable, because the level in those two or three stretches of the river that are more or less smooth can be maintained by dams at the head.

Q. One of the previous witnesses stated that your present Beauharnois project may disrupt the St. Lawrence River scheme as recommended by the International Joint Board of Engineers?—A. The International Joint Board of Engineers recommended a plan that to me, when compared with ours, looked

rather complicated and probably much more costly. In the first place there was a drop of three or four feet at the head gate out of Lake St. Francis into the channel of the river. That was one form of interruption. Then there was a canal cutting across the present Soulanges Canal. It might mean interrupting navigation on the St. Lawrence Canal for a period. It involves also three different power houses, and in estimating the cost of the three-stage plan it also destroys Cedars Rapid outlet; it would be quite a sacrifice. The plan we studied and compared with it was one on the south side, which we eventually adopted; and in the comparison made between the cost of the so-called three-stage plan and the Beauharnois plan, one of the important items of comparison was the excavation cost. On the three-stage plan there was very little excavation; so obviously if you applied a unit cost figure of excavation that was too high it would adversely affect Beauharnois as compared with the other three-stage plan. The figure adopted was 33 cents per cubic yard as the estimated cost of excavation. In comparing the Beauharnois plan with the three-stage plan we assumed a figure somewhat lower than that; we took 24 cents per cubic yard and still figured we were high, but to meet criticism we adopted that as a fair figure. That comparison gave ours a cost, considering the whole development, lower than the three-stage plan when we took into account the interruption to Cedars Rapid, and other difficulties in the way, particularly the hazards involved in building two dams across the St. Lawrence, and one of the dams with its wings would be nine miles long. Those were hazards which, from an engineering standpoint, we felt rendered it impossible to make an accurate estimate.

Coming back to Beauharnois, our experience has been, after two years' excavation with suction dredges, that the cost instead of being 33 cents or 24 cents per cubic yard has come down to 13 to 15 cents per cubic yard. As a matter of fact, during last year the cost, including amortization of the dredges, was down as low as 7 to 8 cents.

By Mr. White:

Q. That is only for the dredging operations?—A. That is the biggest item of expenditure. If we estimate that the whole river was to go through the canal, probably the total excavation would amount to over 200 million cubic yards, and if we say 20 cents per cubic yard it would mean a saving of \$40,000,000 on that item alone, which you can see makes a great difference in the total cost of that stretch of the river.

By Hon. Mr. Mackenzie:

Q. Looking at this matter purely from the standpoint of navigation, is it your evidence that it will fit in with any future development of the International section, as far as navigation is concerned?—A. As far as navigation is concerned, I think it would give the best canal on the whole of the St. Lawrence River, because the canal we have signed the agreement with the Dominion Government to build will be twice as wide as the new Welland Ship Canal; and although we are required to make it 27 feet deep our plans call for a depth of 30 feet, which is really a surplus depth.

As regards bridges, the span through which the ships will pass will be the standard adopted by the Deep Waterways Plan.

As regards navigation, which is the point you have raised, there has been a feeling that this would be a detriment to navigation. I do not know why; I never could understand why that feeling is abroad. For a long time it was supposed that Quebec was opposed to deep waterways. Now we are, in this particular instance, building in the Province of Quebec what constitutes really the most difficult part of the deep waterways on the whole of the St. Lawrence River. It is probably the longest and most expensive canal of any of the

series on the river. I would like to say something about the width of the canal. There seems to have been a lot of discussion in the early days on this subject. In considering the development of the water power at this point we had in mind avoiding, if possible, the difficulties which had been encountered in the development of Niagara Falls. Everybody knows that Niagara Falls is the biggest water power in the world, but because of certain scenic conditions and the desire to maintain the aesthetic beauty, it was thought advisable to develop it piece-meal, and consequently no comprehensive plan was undertaken in the beginning to avoid future additional costs in the development. The future development at Niagara Falls will probably always be on an ascending scale of unit cost. We tried to lay out our work so that all future development will be on a descending scale of unit cost. Therefore, in making the canal as wide as we are, we are incurring the additional cost of the land in between, and we are leaving it available, and by pumping it out by a suction dredge it will ultimately cost less. Our first 500,000 horse power will cost approximately \$150 per horse power, and the successive developments per unit will cost about \$65 per horse power. Had we not built the canal in this way we would probably find the future developments from time to time would be on an ascending scale of unit cost. True, that water is not ours, but it seems to me that it is providing this facility for future low cost, and the country, at least in the meantime, will benefit from the facilities thus afforded. If we get it, then the public, or the industries using the power, will have the benefit of low cost power; and after all, that is the crux of the whole thing, because without low cost power the industries we have in mind could not be induced to come to this point.

By the Chairman:

Q. Did you lay the plan before the Government just in the way you have explained it to us?—A. Before certain persons, yes. We did, with the Quebec Government. It was clear with them that this plan had to be laid out to avoid all future piece-meal works such as the Cedars Rapid and the Canadian Light and Power and one or two other developments which utilize only part of the head, and ultimately undoubtedly will have to be removed, and the water used over the complete head.

Q. In what way did you change the representations made to the Federal Government?—A. I do not think we made any representations to the Federal Government as regards the future outlook, other than to see that this wide canal permitted the diversion of the entire river, and that obviously would result in a lower cost for the entire development. We obviously have had only so much water to take, and I think everybody understood that the wide canal was for the purpose of ultimately taking the whole river; at least, it was obvious on the face of it. Personally I never concealed the fact that that was what the idea was. Any engineer would know that.

By Mr. Forsythe:

Q. In your evidence yesterday you were drawing a distinction between the application of the Transportation and Power Corporation Limited and that of the Sterling Industrial Corporation. Now, reading from a paragraph of a letter from The Transportation and Power Corporation Limited which appears as page 264 of Exhibit 17-804-1A, this is stated:—

As the plan shows, the work the Company contemplates to undertake is the development of a water power by building a canal from Hungry Bay, Lake St. Francis, to Laprairie Basin, below Lake St. Louis, St. Lawrence River, using the water at Laprairie Basin under a head of 120 feet.....

That, I presume, is the difference that you referred to when saying it was not the same or a similar proposition to your own?—A. Yes.

Q. Then reading from the same exhibit at page 265, I notice this statement:

On the 4th of November, 1921, the said Robert did agree to sell, assign and transfer unto the Great Lakes and Atlantic Canal and Power Company, Limited, all their rights, title and interests to the said Indenture and also their rights, title, interests and shares in the Beauharnois Light, Heat and Power Company, incorporated by Act of the Legislature of Quebec, for the purpose of acquiring the water-power, property, business, franchises and contracts then owned or operated by Joseph Barthelemi Robert, author of the said Robert, and that, in fact, a sale of the said water power, property, business franchises and contract was made to the said company by the said Robert, on the 26th March, 1910.

Then I see in the exhibit further references to the foundation of the application as being the rights acquired from Robert, and at page 272 of Exhibit 17, I see a letter signed on behalf of Beauharnois Light, Heat and Power Company, per W. H. Robert, pointing out that the Roberts themselves protest against the application, and stating in the third paragraph:—

The pretended sale by the Estate of the Great Lakes and Atlantic Canal Power Company Limited has never been consummated and the Estate still owns all the rights conferred to it by the indenture with His Majesty the King dated the 25th December, 1909, and the Estate is the only party entitled to the benefit of the said indenture.

Then the last paragraph states:—

The Estate is prepared to support its opposition if so required and in the meantime strongly protests against the application made by the Transportation and Power Corporation, Limited.

Now, when you came to the year 1928, Mr. Sweezey, you had then acquired the Robert rights yourself?—A. Yes.

Q. You were then, of course, aware that the contentions made in the application at page 264 were unfounded?—A. I understood that their application was based upon the contention that they owned the Robert rights. Similarly I would never have thought of making any application at the time we did unless we had the Robert rights.

By Mr. Lennox:

Q. Supposing their application had been accepted by the Government, what would your position have been?—A. We would not have applied by that time, I suppose, because the water would have been taken out of the St. Lawrence for a stretch of about 25 to 30 miles.

Q. If that was the case, why could you not negotiate to get rid of that?—A. That application had been in there since 1921, and nothing had been done about it.

Q. 1924?—A. 1924. Nothing had been done about it, I presume because their application was based on their contention that they owned the Robert rights.

Q. That could not be the reason, because the other company made application within ten days afterwards?

Mr. WHITE: And based on no rights whatever? (No answer).

By Mr. Lennox:

Q. The Sterling Industrial Corporation had made application within ten days after, and you wanted to get rid of them?—A. I thought they might have a better chance of getting the application through.

Q. I do not think it makes any difference about what they applied for. What I am interested in finding out is why you wished to get rid of the Sterling Industrial Corporation and paid no attention to the other company? If their application had been accepted by the Government you would not have made your application?—A. No; but I didn't think they had sufficient funds nor the organization to do what they contended. In other words, I did not take them seriously.

By Mr. Jacobs:

Q. Mr. McDougald was a man of substance and the power and transmission company were working on a shoe-string or two shoe-strings.

By Mr. Lennox:

Q. It is a question of McDougald having political influence while the other company had no political influence?—A. That is another way of expressing it.

By the Chairman:

Q. The witness says that is another way of expressing it; is that the right way to express it?—A. I think, probably, it is. Of course—

Q. That is the way I would think?—A. Besides, there are lots of confronting reasons the details of which affect the meaning.

Mr. JACOBS: You did state yesterday that you thought at all times that Senator McDougald was over-estimating his importance as a political factor.

The CHAIRMAN: Anybody who brings home the bacon justifies his existence.

Mr. JACOBS: I do not know what is meant by bringing home the bacon, Mr. Chairman.

The CHAIRMAN: Mr. Jacobs once told me he was orthodox.

By Mr. Forsythe:

Q. Mr. Swezey, Mr. White yesterday was examining you on the various activities of your counsel. I want to ask you if it is not a fact that with the exception of Mr. Geoffrion who was your chief counsel, that the counsel were engaged and largely directed and conferred with Mr. Griffith?—A. It is quite true.

Q. And he would be better able to describe that?—A. Yes, as far as the details of the work, he was the man carrying that out. My main efforts were directed through channels of work with Mr. Geoffrion.

Q. Going back to the start of your activities at Quebec. As I understand it, in 1927, late in the session, you made application for the amendment of the charter of the Beauharnois Light, Heat and Power Company, and you were not successful in having that amendment passed?—A. No, not at that time.

Q. Now, later you went back to Quebec when the Legislature was in session, and presented the amendments to your Bill—that is at the succeeding session—and the amendments were passed?—A. Yes.

Q. Then, I understand you approached the government with a view to obtaining an emphyteutic lease, which you later obtained?—A. Yes.

Q. Would you just describe to the committee the things which it was necessary to do in connection with the obtaining of that emphyteutic lease. Would you now refer to the different bodies before whom you had to appear, and what had to be done?

Hon. Mr. CANNON: I do not want to object, but I understand that question is asked subject to the objections I have already made.

WITNESS: After obtaining the amendments to our charter, we had to bring our engineering plans up to date, and then appear several times before the

members of the Cabinet, and before the Cabinet as a whole, to explain our engineering proposals and industrial plans for the future; and in that case we were opposed by counsel of other power interests who had been opposing us right along. And then, of course, we had to have our lawyers again to meet and assist us in the arguments. I would much prefer to argue as an engineer, but lawyers seem essential, and so it was—

Q. A necessary evil?—A. A necessary evil, if you put it that way.

Mr. WHITE: Obstacle removers.

By Mr. Forsythe:

Q. Now——A. In regard to our lease, may I say that this lease has been referred to several times—it is a 75 year emphyteutic lease, but the rental is something like a timber rental in the province. The rate of rental is renewable every ten years, and I think, up to that time, the rate that we agreed to pay and the lease which we signed put a price on it higher than any lease that had been signed or approved up to that date. As a matter of fact, I think for the 500,000 h.p. that we are obtaining from the Province of Quebec we are paying more than the two and a half or three million horse power that has been obtained by the three big interests—the Duke-Price, the Shawenegan and the International Power and Paper Company—so that I feel right along we have in no way taken something from the province at a price below its value. In other words, we are paying six times more than the average of all the others.

Q. Are you in a position to compare the rentals which you pay per h.p. with those which are paid in any other province, Mr. Sweezey?—A. I am not prepared to discuss other provinces at the moment. I know Ontario, I presume, does not pay anything except to themselves; it is a publicly owned organization.

Q. Now, after the lease was obtained from the Province of Quebec, you proceeded to direct your efforts towards obtaining approval of your plans under the Navigable Waters Protection Act from the Department of Public Works and the Governor in Council at Ottawa?—A. Yes.

Q. I would ask you whether in prosecuting that application for approval there was any detail involved—particularly engineering details—with respect to your proposal? I understand from your evidence, that you interviewed departmental officials?—A. There was a tremendous amount of detail as to the dimensions of the canal and all the conditions that had to go into the leases that were finally signed, and agreements of that kind involved a tremendous amount of engineering and legal work to get the agreement in shape and acceptable to both parties.

Q. And may I suggest that before the passage of the Order in Council, there was a considerable amount of discussion between yourself and the other persons representing you, and persons representing the departments, representing the government, with reference to the very thing you were talking about a moment ago—the difference between the north and south shore scheme?—A. Yes.

Q. And did that take some time to do?—A. It took a lot of time and a lot of argument. We had to do engineering work from time to time to prove our contentions. For instance, we had to bore all that stretch of fourteen miles at different points to ascertain the nature of the soil, and to support our argument as to the cost at which we expected to do the work. I am happy to say that our estimates of cost have been well substantiated and have been considerably below the estimates.

Q. Now, you mentioned yesterday, Mr. Sweezey, that Senator Raymond had indicated to you certain reasons why he preferred not to have the units which he had purchased in his own name. I would like you to tell us a little

more about that if you will?—A. Well, Senator Raymond said to me that he preferred not to have his name come out at the time, because he said:

I never put my name to a thing at the early stages. I am willing to risk my money, but not my name. If it makes good. I have no objection to my name coming out.

For that reason it was put in somebody else's name.

By the Chairman:

Q. Is that a life principle with the Senator?—A. I do not know, but he cited two or three instances when he had done the same thing, and he was glad that he had not gone out and associated himself with certain groups who had not made a success of their work. He said I had to make a success of this:

If you do, I will be glad to come in with you.

By Mr. Forsythe:

Q. In other words, it was a question of being willing to gamble with his own money, but he did not want, by gambling, to have his friends drawn in to follow his advice?—A. It is one thing for him to pay his money in, but his close friends—he thought they would do it too, and he did not want that.

By the Chairman:

Q. Did you believe him?—A. Yes. He was sincere. He cited the case where he had taken shares in transportation and power and he was very much disgusted at the turn of events in that way.

By Mr. Lennox:

Q. Is that the reason Senator McDougald did not want his name mentioned?—A. I do not know. He may have had some other reason.

By Mr. Forsythe:

Q. Now, just while we are on that subject, Mr. Sweezey, when you are promoting an enterprise of this kind, or any large enterprise in the Province of Quebec, have you found it expedient, desirable to have prominent members—prominent French Canadians associated with you?—A. I think it would certainly be unwise not to include prominent and capable French Canadians in a French Canadian Province, especially as I speak French just as fluently as the French Canadians do, and I know them probably better than most Anglo-Saxon people do.

By the Chairman:

Q. Is it just for that reason?—A. I find it very desirable, sir. I would have thought my situation entirely unbalanced if I had not had French Canadians in it.

Q. I think it would have been unbalanced too. That is a large order that Mr. Forsythe encompassed in that simple question. A good many inferences might be drawn.

Hon. Mr. MACKENZIE: If the question referred to French Canadians with political influence, it probably would be more palatable.

Mr. FORSYTHE: I am not sure now whether it was the question or myself that was simple. I can assure you that there were no inferences which I had to suggest, other than I think was the very obvious one.

By Mr. Forsythe:

Q. On this question of political influence, I asked you whether in the promotion of this enterprise you did not take great care that the persons whom you had associated with you had prestige both in the financial and political

way?—A. I think it was obviously necessary not to have people associated with me, for instance who would have been offensive to the administration, in behalf of the administration I had to deal with.

Hon. Mr. MACKENZIE: Still carrying out the same maxim, I suppose.

By the Chairman:

Q. There were three classes. The first preferred class would be prominent men with political influence and money. That is the first preferred class. The next class was the man who had money, but who was neutral in politics, and had no influence whatever?—A. Yes.

Q. And the class that you wanted to keep clear of was the class that had no money and no political influence?—A. Yes. Certainly no money would not have been of much use to me. No political influence and some money would have been all right, and we did get it.

Q. And no money and lots of political influence would have been valuable?—A. It probably would have been valuable.

Mr. STARR: Referring to exhibit No. 24, a speech made in the House of Commons on May 19, 1931, reading from an extract from that speech, we find these words:—

Senator McDougald was interested in the promotion of Beauharnois Light, Heat and Power Company in 1927 before the Legislative Assembly of the province of Quebec.

Q. What do you say as to the truth of that statement?—A. He was not in then; he certainly was not.

By Mr. White:

Q. Not in when?—A. In 1927.

By Mr. Lennox:

Q. When was the Moyer application?

Mr. MACKENZIE: The 4th April, 1928.

Mr. FORSYTHE: April, 1928.

By Mr. White:

Q. When was the deal made in regard to the acquisition of the Sterling?—A. That was in, if I recall—I will have to ask Mr. Griffith about that.

By the Chairman:

Q. Moyer applied for his shares on the 4th April, 1928?—A. Sterling was some time later.

Mr. FORSYTHE: The 18th December, 1928.

By Mr. Lennox:

Q. McDougald was interested in the Sterling Industrial from 1924?—A. Sterling Industrial was not part of our organization.

Q. No, I know.

By Mr. White:

Q. Interested in some sort of Beauharnois project?—A. Yes; but not to my knowledge. We did not know the Sterling until very late in the day.

Mr. STARR: Are you trying to say he was interested in the Beauharnois project in 1923?

Mr. WHITE: I am trying to say exactly what I did say, that he was interested in some kind of Beauharnois project as early as 1924.

Mr. STARR: You mean by that he put an application in for the Sterling?

Mr. WHITE: I mean exactly what I say, nothing more, nothing less.

Mr. STARR: Then, with regard to the correctness of Mr. White's statement—

The CHAIRMAN: What Mr. White is saying, Mr. Starr, is this; that Senator McDougald was interested in a Beauharnois project as early as 1924. In fact, I think the evidence goes back to 1923.

Mr. STARR: That is a correct statement if he refers to the Sterling application, if other than that, it is incorrect.

By Mr. White:

Q. In regard to the application of the transportation company, I am giving it that short name, but you know the one to which I refer?—A. Yes.

Q. That would have had developed a 120 foot head would it not?—A. Yes, and it was absurd from an engineering standpoint, in my opinion.

Q. In your opinion. If it had been developed at that head, the utilization of water would have produced, at that head, a much greater quantity of electrical energy than at a 80 foot head?—A. Yes; but at a very much higher cost per unit.

Q. Maybe. You are arguing with me, not answering my question?—A. Yes. It might give a wrong impression, if I admitted that.

Q. Never mind about that. We will get that.

Mr. FORSYTHE: I think he should take care of that.

Mr. WHITE: I do not want to give wrong impressions. I am merely asking Mr. Sweezy to answer my questions.

Q. Then, in regard to the value of water power about to be converted into hydro electric energy, of course the water power that has no market is valueless, is it not?—A. Yes, unless you can go out afterwards and create it.

Q. I mean, not much value without a market?—A. It certainly has no value.

Q. Without a market it is valueless?—A. Yes.

Q. So the value of water power depends to a very large extent on its proximity to the market?—A. Yes.

Q. Because in that way you have a very much cheaper transmission and less line loss?—A. Yes, sir, and less cost of construction.

Q. This water power in that respect, at least, that is the water power at Beauharnois is very valuable from that standpoint because of its proximity to Montreal, which is a very large consuming centre?—A. Well, that is not exactly what is in my mind. The value of this water power, if it were small enough to be utilized almost entirely for domestic consumption, would bring a much higher return. But in the vastness of this undertaking, we are not looking to domestic sale of power, we are looking to its application to industries on a very large scale, and unless that power can be sold at a low price to those industries, metallurgical, electro chemical, which we are seeking, and in which we have made some considerable progress, unless we can provide them with power at a very low price, we cannot interest them to come there, so that the value, obviously, is dependent upon the return, when you consider the low price at which this power must be sold.

Q. I take it that you are trying to tell me that in addition to its value by reason of its location closest to the largest city in Canada, that it has an additional value by reason of its adaptability for use in these industries which you have described, by reason of its being practically at sea level?—A. Particularly because at an ocean port.

Q. Available for water borne freight?—A. Yes. I do not know any other large water power in the world except on a very much smaller scale in Norway, where you can bring ocean ships right up to the power house.

Q. So that you have, as I say, an additional advantage here?—A. Yes.

Q. And that makes the water power that much more valuable, whatever it may be?—A. Yes.

Q. There is another matter which I want to take up with you. I had almost forgotten it. Do you recognize this circular? (producing)—A. Yes, I have read it once or twice.

Q. Do you know the firm which issued it?—A. Yes, I know Mr. Dodd.

Q. Issued by Robert Dodd and Company?—A. Yes.

Q. Incorporated, they say, whatever that means. A firm of brokers or financial— —A. I think he might be a broker, and probably—what does he call himself?

Q. Investment banker?—A. Well, the difference between a broker and an investment banker is an investment banker buys on his own account, takes his risk; whereas a broker buys and sells only on orders from somebody else.

Q. Taking this statement made in this circular,—

We have been enabled to purchase what we believe to be the entire floating supply of this issue, and in view of the prevailing low rates for money and the resultant favourable upturn which we anticipate in the bond market,——

Now, that is referring to the issue of \$30,000,000 of bonds. Is that statement correct?—A. No, it is not, sir.

Q. Do you know whether they had been— —A. He was negotiating to purchase a block of bonds at that time.

Q. Negotiating with whom?—A. He was speaking to me about it.

Q. That would be Newman, Sweezey and Company?—A. Well, he spoke to me personally, and I referred him to Newman, Sweezey and Company, but he never could consummate the deal with Newman, Sweezey and Company because they did not agree on the price.

Q. That statement made there is wholly incorrect?—A. Well, he was anticipating—I think he was sincere when he made that, but he——

Q. How could he be sincere in saying,

We have been enabled to purchase what we believe to be the entire floating supply of this issue,

when he had not been able to purchase it?—A. Well, I am not making any apologies for his misstatement.

Q. No? I just want to see how correct this was because I understand certain deductions have been made from certain statements in this circular?—A. Yes.

Q. I think it is only right and proper, from your standpoint at least, that we should know what you think about it?—A. Yes.

Q. Then,

An enumeration of the several basic factors bearing upon the company's future success, here follows:—

- (1) Formal admission of the scientific feasibility of this huge undertaking, by independent international engineers.

Was that a correct statement?—A. I do not know; I do not know just where they got that.

Q. Had there been an investigation by independent international engineers?—A. I do not know just quite what that means.

Q. Who were the particular engineers employed by you?—A. Well, the bankers employed Mr. Crane, who is a man of international reputation as an engineer.

Q. Where does he live?—A. He lives in New York and is consulting engineer particularly for banking houses, a man whom they consult before they invest their money.

Q. What other engineers?—A. W. S. Lee, an American engineer, and probably is a man who has built more power developments than anybody else.

Q. May I take it the two principal engineers employed on this work were American?—A. Mr. Lee was, and Mr. Crane was not employed on the work except being consulted by Mr. Lee and also by the bankers, at least, consulted by bankers first. The bankers got his opinion, and Mr. Lee retained him to advise him. Mr. Lee is one of our principal engineers in this work. As I said yesterday, it was very difficult for us to get Canadian engineers at that time, because the other power companies would not permit them to work for us.

Q. Well, I was under the impression that we had some very eminent Canadian engineers?—A. And so we have, but the eminent Canadian engineers are employed most of the time with others, and difficult to get. I would not say we have very many; we have some.

Q. Are you giving that as a reason for going out of the country for your engineers?—A. No; I am not making any apologies for going out of the country; except I am giving you the reason. It was a very good one. Mr. Lee had just completed successfully the development of the great Ile Maligne, on the Saguenay river, which is some 500,000 h.p., and had made a great success of it. We were particularly anxious to have a man who knew his business. I would say also, if I may be permitted to add something, that after Mr. Lee became associated with us, strong efforts were made by people in the United States to have him abandon us, and not work for us, illustrating further my contention that it was difficult to get engineers.

Q. Where did you get that information, from Mr. Lee?—A. Yes.

Q. Then, this circular goes on:

It is our reasoned opinion, based on demonstrable quantities, that, owing to the common share attachments to this Beauharnois 30-year bond, the market for the bond will, in the course of the next five years, establish a direct or an equivalent valuation ranging from \$150 to \$200 per \$100 bond.

What do you say about the correctness of that?—A. That was written in the flush of the 1929 prosperity wave.

Q. As a matter of fact, the bonds are now selling about sixty-five, you told us?—A. Sixty-nine or seventy, I understand.

Q. Then, this further statement:

It will be observed that our analysis discusses in circumstantial detail the expectations of this 30-year bond-share-warrant investment over a five year period, when 1,000,000 h.p. should be in operation—

Mr. FORSYTHE: Where is that, Mr. White?

Mr. WHITE: On the second page, first column, with the caption "Over \$4 per Share":

It will be observed that our analysis discusses in circumstantial detail the expectations of this 30-year bond-share-warrant investment over a five year period, when 1,000,000 h.p. should be in operation; and we show with that production unit, which is 50 per cent of the final objective, an earning power equal to slightly over \$4 a share on the combined common stock outstanding.

What do you say about that?—A. Well, that is his own estimate.

Q. Do you agree with it?—A. No, I cannot say that I agree with it at the moment. And I do not want to be quoted; I do not want to pose as a prophet. I have enough faith in the country, however, that things will be a great deal better than they are to-day.

Q. When?—A. Well, if I knew precisely I would make everybody rich.

Hon. Mr. MACKENZIE: By a change of government.

Mr. WHITE: We had better have a vote on that, Mr. Chairman.

Q. Then this further statement:

In the matter of capital outlay per horse power we find that the initial capacity of 500 h.p. will entail an overall capital charge of \$70,000,000.

What about that statement? We have it from Mr. Henry that it is \$79,000,000?

—A. \$76,000,000. That is approximately correct.

Q. Then:

Whereas the second 500 h.p. can be completed for just half that amount. You put it at somewhat less than half.—A. Well, I believe—

Q. You said \$65 as compared with \$150.—A. Those are approximate figures.

Q. Then this proceeds:

Therefore, the first 500,000 h.p. will cost approximately \$140 per horse power, while the second 400,000 will cost exactly half, or \$70 per horse power, giving an average of \$105 per horse power for the two initial units of 1,000,000 horse power.

Is that a substantially correct statement?—A. I think that would not be far out. It is an estimate, of course.

Q. Did you have any dealings with this firm in respect to any of your shares?—A. Yes, I sold Mr. Dodd 100 shares when I bought the Jones interest.

Q. And so far as Newman-Sweezey are concerned, or you or Newman-Sweezey are concerned, is that all the shares?—A. When this syndicate was formed for the financing, the sale of the \$30,000,000, I think there were about 150 houses in these several syndicates and he was one of them, I looked it up the other day and I understand that he had \$22,500 in shares, in bonds in that syndicate.

Q. And?—A. One hundred part-interests that he bought from me when I bought out from Mr. Jones.

Q. This pamphlet, I understand, Mr. Chairman, was either referred to or the statements made there were referred to by Mr. Gardiner in one or more of his speeches in the House, and I think, therefore, it had better be filed if it has not already been filed.

By Sir Eugène Fiset:

Q. Do you take any responsibility for the issuing of that statement?—A. Certainly not. It is not my company, and he was merely a participant in the issue when it came out, to a very small extent.

By the Chairman:

Q. You say there were approximately 150 brokers who were organized—
—A. Investment bankers, Mr. Chairman. I made that distinction a while ago between brokers and investment houses. The broker is one who simply buys and sells when he receives an order. He does not buy on his own account and hold at his risk.

Q. Are you sure that the broker always buys when he receives an order?
—A. I am not so sure as to that, but that is what his function is.

Q. I cannot just see the difference.—A. There is, sir, quite a distinction between a broker and an investment banker. A broker is a man who is a member of a stock exchange and who is supposed to buy on your order and charges a quarter of a point.

Q. What about the brokers in the city of London?—A. They work on a different system from ours.

Q. Is it not perhaps the main difference that it is a disgrace for an investment banker to go broke and it is not for a broker?—A. Quite.

Q. Getting back to my question of the 150, call them brokers or investment bankers or any other eupheneous name you care to call them, was there not a uniformity of advertising in connection with the issue?—A. Oh, yes. When a member of the syndicate,—

Q. I am dealing with this 150 who were selling the issue, and I suggest that there was a uniformity of advertising amongst them all?—A. Yes, except in Mr. Dodd's case. He came on afterwards when the thing was all disposed of and the syndicate broken up. He independently advertised and we cannot be responsible for that.

Q. Is he the only one that did that?—A. I do not know.

By Mr. Forsythe:

Q. That is the financing syndicate you are speaking of now?—A. Oh, yes. The syndicate imposed certain rigid conditions as to how they might advertise and when.

By the Chairman:

Q. Depending on their personnel?—A. Yes. Any investment house might buy a security and say what they like about it on their own responsibility. However, if they said anything detrimental to us we might take objection and do something about it. We cannot, of course, be responsible for what every banking house sells and what they say when they are selling it. A good salesman will speak the truth and some others may exaggerate.

Q. What is that again?—A. A good salesman will speak the truth but others may exaggerate.

Mr. JACOBS: That sounds like a proverb.

The WITNESS: If he did not stick to the truth he would soon find that he could not sell before long.

Mr. WHITE: That is why lawyers always tell the truth, Mr. Sweezy.

The WITNESS: Exactly. I think what he was doing in this case was discounting the future, and when you look back on some things that have developed in this country, and some of the resources and the industries, the picture that Mr. Dodds drew there was not certainly overdrawn as compared with hindsight. Other things have been much more bright than that indicated there.

By Mr. Jacobs:

Q. In any event, you do not assume any responsibility at all?—A. Oh, not at all. He was not a member of our syndicate at that time, and when he was a member of the syndicate some time previous to that it was only for a very small amount, it was so insignificant.

By Sir Eugene Fiset:

Q. Something like \$22,000?—A. \$22,500.

The CHAIRMAN: Mr. White, do you want to put that pamphlet in as an exhibit?

Mr. WHITE: It is in.

The CHAIRMAN: Exhibit 84.

Mr. JACOBS: It is a waif. All hands disown it.

Mr. WHITE: My object in putting it in, Mr. Chairman, is this, in order that there may be no misunderstanding about it. As I stated before, I understand that in some of Mr. Gardiner's speeches, or in one or both of them, reference was made to the statements that are in that circular, and it is for that reason that I have asked this witness as to their correctness. That is the significance of it, and as I at present see the only significance of it.

Mr. FORSYTHE: Mr. Chairman, arising out of that circular I want to ask Mr. Sweezey one question.

Q. In addition to the services of Mr. Crane, I understand that Mr. Hogg, an Ontario engineer of some distinction, has been employed by your company?—

A. Mr. Hogg was the Chief Hydraulic Engineer of the Hydro Electric Commission of Ontario and he was employed by us in a consulting capacity to assist Mr. Lee and Mr. Brown. In fact, I do not want to give the impression that he was an assistant to them. He was really an associate. I understand there is a distinction.

Mr. FORSYTHE: Mr. Chairman, in that connection I have here a copy of a report made by Mr. Crane to Mr. Henry on the subject of the embankments which I would like to file as an exhibit.

The CHAIRMAN: What is the substance of it, Mr. Forsythe.

Mr. FORSYTHE: Well, it is a long thing, Mr. Chairman. It deals with the earthen embankments in general, and the question of their stability.

The CHAIRMAN: Is it technical.

Mr. FORSYTHE: To a certain extent. It is written so that a layman can understand it.

The CHAIRMAN: Let Mr. Jacobs read it.

Mr. JACOBS: I will take it as read.

Mr. FORSYTHE: It deals with the stability, the water tightness of these embankments.

The CHAIRMAN: That is in answer to Mr. McLachlan's statement that he did not think the embankments were sufficient protection.

Mr. FORSYTHE: Yes, and dealing with the question of reliability of the earthen embankments, the methods of construction, and the question of hydraulic dredging which is being used here.

The CHAIRMAN: Do you want to put that in as an exhibit?

Mr. FORSYTHE: Yes, Mr. Chairman.

The CHAIRMAN: Is the man here who wrote it?

Mr. FORSYTHE: Unfortunately we have tried to get him here but we understand he has had some very serious illness in his family and could not come.

Mr. LENNOX: Who is he?

Mr. FORSYTHE: Robert S. Crane, consulting engineer.

Mr. FORSYTHE: In this connection, Mr. Chairman, that report is interesting because Mr. Crane was, as Mr. Sweezey pointed out, the consulting engineer for the bankers and not for the company, although he has since been consulted by Mr. Lee in connection with some company matters, I understand.

Mr. JACOBS: This is a direct answer to Mr. McLachlan's criticism, and therefore I think it should be read.

The CHAIRMAN: If it goes that far, I think Mr. Crane should be here for the purpose of cross-examination.

Mr. JACOBS: It can be read into the record now.

The CHAIRMAN: If that is the substance of this document, that it is an answer to Mr. McLachlan's statement, I doubt the wisdom of putting it in the absence of the witness who wrote it.

Mr. WHITE: The difficulty I see about it is that it is an expression of opinion without the sanctity of an oath, as opposed to the opinion of a man given under the sanctity of an oath.

Mr. JACOBS: If it is merely a question of an oath, I do not think we should worry ourselves very much about that. Mr. Henry, to whom the document was written, could file it, I fancy. He could read it and explain the technical features of it in detail.

Mr. WHITE: I think it is objectionable from the standpoint I have mentioned, Mr. Chairman.

Mr. FORSYTHE: It seems to me it was a rather reasonable thing to use it when investigating the methods employed by this company.

Mr. LENNOX: The point is that Mr. Crane should be here so that he may be cross-examined.

Mr. FORSYTHE: I appreciate that point.

Mr. JACOBS: I suggest that Mr. Henry be asked to explain the letter.

Mr. WHITE: Here is the difficulty about that: I am instructed that Mr. Crane has written other articles, and I am told that he now pretty well agrees with Mr. McLachlan. If that is the fact—

Mr. FORSYTHE: Oh, now!

Mr. WHITE: I say if that is the fact. I am simply explaining the situation to the chairman. If the opinion expressed by Mr. Crane in his document is to be considered by the committee it can only be considered in the light of his possible cross-examination; and if he has written other articles it may be that his opinion has changed.

Hon. Mr. MACKENZIE: He has not had much time to change his mind since October, 1930.

Mr. WHITE: A lot of water has run over Cedars Rapid since that time.

The WITNESS: He has been on the job several times since then.

Mr. JACOBS: Where is Mr. Crane now?

Mr. FORSYTHE: His home is in New York, and I understand he is in Charleston, South Carolina.

Mr. GRIFFITH: I understand he is somewhere in Colorado.

Mr. WHITE: Might I ask my friend to let the matter stand until I make some inquiry as to what possible subsequent things have been written by Mr. Crane on this subject, and if I find my instructions are correct I shall take one course, and if I find they are incorrect, I shall take another course.

Mr. JACOBS: Yes; let it stand until to-morrow.

Mr. FORSYTHE: There is no objection to that.

Mr. WHITE: In the meantime will my friend let me have the document?

Mr. FORSYTHE: Yes. Mr. Chairman I would like to tender at the same time as an exhibit for the committee a memorandum prepared by Mr. Hogg, to whom I referred a moment ago, submitted with a letter dated October 31, 1930, to Mr. Henry, entitled: "A memorandum re Beauharnois Power Company's docks along canal." I want to point out, in connection with the reports of both Mr. Crane and Mr. Hogg, that they are not prepared designedly to meet criticism voiced before this committee, but they are opinions taken in the ordinary course in constructing this canal; and it seems to me possible, with my experience of expert witnesses, that perhaps the expression of opinion that

a man gives in the ordinary course of his business is sometimes far more valuable than that which he gives when he is before a tribunal engaged in meeting some criticism that has been voiced there.

The CHAIRMAN: I think it is pretty generally understood that the best method to employ to gather the testimony of, say, five experts is to bring on six.

Mr. FORSYTHE: Or seven.

Mr. WHITE: A question of avoirdupois.

Mr. JACOBS: We have to depend on someone in a case of this kind.

Mr. FORSYTHE: I am offering that document as an exhibit.

The CHAIRMAN: Personally I can see nothing in the pamphlet that is objectionable, but in the absence of Mr. Hogg I suggest that you let Mr. White read it over, as well as the report by Mr. Crane, and let them stand for the time being. My present view is that the committee will allow them in, but we want to scan them before we decide.

Mr. FORSYTHE: I shall be delighted to let Mr. White see them, because I am sure he will get some valuable information from them.

Mr. WHITE: Your consideration for me is quite touching.

The CHAIRMAN: Gentleman, it is moved by Mr. Jacobs that we adjourn until 3 o'clock this afternoon. We shall sit from 3 o'clock until 6 o'clock, and from 8.30 o'clock until midnight or thereabouts, I suppose.

The committee adjourned at 1 o'clock p.m. to resume at 3 o'clock p.m.

AFTERNOON SESSION

On resuming at 3 o'clock.

The CHAIRMAN: All right, Mr. White.

Mr. WHITE: I have a telegram, Mr. Chairman, from Mr. F. P. Jones, dated to-day and sent apparently at 11.10 o'clock. It is addressed to Mr. Dun, and reads as follows:

Telegram received too late this morning to leave to-day. Have important appointments Wednesday. Please wire if Thursday would do, and what time you require me.

Mr. MACKENZIE: We cannot tell, very well.

The CHAIRMAN: Notify Mr. Jones to be here to-morrow.

Mr. WHITE: I assume, Mr. Chairman, that we are through for the present with Mr. Sweezey. I am.

The CHAIRMAN: Are there any further questions to be asked of Mr. Sweezey at the moment?

Mr. WHITE: I will call Mr. Ebbs.

Mr. MONTGOMERY: Col. Dubuc is here, if you want to take him.

Mr. WHITE: All right.

ARTHUR E. DUBUC, called and sworn.

By Mr. White:

Q. You are Chief Engineer of the Department of Railways and Canals?—

A. Yes, sir.

Q. And when were you appointed?—A. On the death of the previous engineer, Mr. Bowden, February, 1924.

By Hon. Mr. Mackenzie:

Q. Is that the Mr. Bowden who made the joint report on this project?—A. Yes, sir.

By Mr. White:

Q. Mr. R. A. C. Henry was appointed Deputy Minister of that Department in—A. The 4th of February, 1929.

Q. And occupied that position until the 10th of March, 1930?—A. I thought it was the 5th, because I believe there is an O.C. accepting his resignation at that date. I may be wrong though.

Q. That is the date he gave me, but it does not matter. You have in mind, I expect, that on the 5th of March, 1929, order in council P.C. 422 was passed in connection with the Beauharnois project?—A. Yes, sir.

Q. Did it come to your attention as Chief Engineer of the Department that Mr. Henry was interested in that project?—A. I never knew of it until quite recently.

By Mr. Lennox:

Q. Until when?—A. I never knew of it until quite lately, I mean since this inquiry started.

By Mr. White:

Q. And during that time when Mr. Henry was Deputy Minister who was the Minister?—A. Mr. Dunning was.

Q. I take it, on account of the dates, that you were Chief Engineer of the department when Mr. Henry came there?—A. Quite.

Q. As Deputy Minister?—A. Yes sir.

Q. Had he been in the department before, during your time?—A. No. When I came to Ottawa in 1924 he had left the department then.

By Mr. Jacobs:

Q. You were Superintendent, Lachine Canal, before that time?—A. Of Quebec Canals, in Montreal. I have been in the department since 1919.

Q. Was he then in Ottawa?—A. I think he was one of the General Assistant Engineers in Ottawa at that time.

Q. In the Railways and Canals department?—A. Right.

By Mr. White:

Q. And did you have dealings with him at the time that he was in the Canadian National Railway?—A. I cannot recall of any. I have known him for many years, personally, but no business dealings.

Q. He told us he was Director of the Bureau of Economics, Canadian National Railways, and as such had a good many dealings I think with your department.—A. More with the Deputy of the day. It may have happened on occasion that we may have consulted on certain things.

Q. But you do not recall?—A. No.

Q. Will you tell the committee, in reference to the application of the Beauharnois Light Heat and Power Company for approval of their plans, which were ultimately approved by order in council P.C. 422, whether or not you have any knowledge first as to whether or not he was consulted about that?—A. I am not aware at that time.

Q. Well, are you aware he was not?—A. My only recollection of it is that when order in council P.C. 422 that you speak of was passed in March, 1929, by the Federal Government, that the engineers, of course, of the department saw immediately that some steps would undoubtedly be taken by the Beauharnois Company to utilize that big head that they were going to take, to create that 80 foot head, that they would consider some means of utilizing in the most economical manner the water that was being used under such a small head at the Valleyfield dam. So immediately we thought we must prepare for that, because for years the Department has been considering its leases particularly water power leases, and had been trying to cancel a whole lot of them which were very improvident, and one of the leases was that particular lease, No. 21516, granting 10,000 cubic feet to the Montreal Cottons. The original grant was made in 1861 and extended in 1874, and again I think in 1915, granting that 10,000 cubic feet under that 10 foot head for the nominal sum of \$600 per year, which hardly represented more than the rental—which meant that the 10,000 cubic feet was being given for nothing, absolutely nothing. Besides, the lease was perpetual, and without any right to change the rental rate at any time. So we thought that if any occasion should arise by which we can break that lease, and at least get a proper rental for it, we should profit by the occasion.

It just so happened then that the Beauharnois Company applied for it in October, 1929. But before they actually applied in 1929 we knew that they were bound to come to us and ask us for the transfer of that little fall to the big head. So we went to our legal branch. I am speaking now of the engineers of my branch and myself, and we questioned them. We asked them whether the Montreal Cottons could exact the transfer of the site of that head to the new site without our previous agreement. They answered us that not only could they not do that first without the consent of the Governor in Council but they could not assign without a bargain with the Minister in writing. So then we saw our chance and in discussing it with my engineers we said: "Well here is 10,000 cubic feet under a 10 foot head which could easily develop 8,033 horse power, we should charge these people if they come to us, make it a part of our acceptance of the assignment that they should pay us the full rate of \$4 per horse power which meant something like \$36,000 per year instead of \$600.

By Mr. Jacobs:

Q. You were claiming the right to charge for horse power?—A. Well, yes, because we had concentraed on the building of that dam between Valleyfield and Grand Isle. That having been done before Confederation we never questioned the right to lease the concentrated head at that point at our expense. So we said for that 10 foot head in any case that is ours, and if someone wants to utilize it somewhere else and we are applied to to let them use it we are going to see that they pay the full price.

Q. That is, the old Province of Canada had created that before Confederation?—A. Yes.

By Hon. Mr. Mackenzie:

Q. Was it Upper or Lower Canada, or the Province of Canada?—A. That was in 1849 or 1844.

Mr. WHITE: 1840 was the Act of Union.

The WITNESS: The dam was completed in 1849 I know. That would be at a time when the Provinces were under the Government of the Province of Canada. There was a commissioner of works who had control of these things.

By Mr. Jacobs:

Q. At any rate, that was created before Confederation?—A. Quite. The dam was created in 1849.

Q. And you take the ground that after 1867 it belonged to the Dominion of Canada?—A. Quite.

Mr. WHITE: That seems quite clear under the British North America Act, Mr. Jacobs.

Hon. Mr. MACKENZIE: It is a very distinct point that he is making there.

Mr. WHITE: I think it is covered by the Act.

The WITNESS: Then there were two other leases that were equally affected, not appreciably though. There was what they call the old Bunton Lease, that is, Lease No. 14332. It has been renewed early in 1929 with the Montreal Cottons. That is previous to this.

By Mr. White:

Q. 1929?—A. In 1929. There we saw our chance. As I say, that was renewed early in 1929 at \$3 per horse power and we saw our chance to change it to \$4 per horse power which gave us another couple of thousand dollars more. A third lease was 13978, what we call the old Beaubien Lease, which eventually was assigned to Montreal Cottons and represented an annual rental only of \$275. That did not change any because that was already at the rate of \$4 per horse power. The total of the three leases meant that at the time the application was made we were receiving \$9,050 per year. Under the new arrangement we have the right to \$46,950 per year.

By Hon. Mr. Mackenzie:

Q. Are you getting that?—A. We will get that from the moment that the company starts operating.

By Mr. Jacobs:

Q. From the moment the Beauharnois Company starts operating?—A. From the moment the Beauharnois Company starts operating, I mean delivering electrical power.

By Mr. Montgomery:

Q. What are the two sets of figures, Col. Dubuc?—A. The old rental of Lease 21516 was \$600 per year. That included the taking of 8,000 cubic feet. The new rental will be \$36,000 per year. Under the second lease, No. 93178, the old rental was \$275. The new rental will be the same, \$275. And under the third lease, 14372, the old rental was \$8,175 and the new rental will be \$10,675. The total of the old rentals was \$9,050, and the new rentals will be \$46,950 per year.

By Mr. Jacobs:

Q. Do you know what they are paying the Quebec Government?—A. I understand they are paying \$1 per horse-power plus a fixed sum.

By Hon. Mr. Mackenzie:

Q. For this same power?—A. For this same power, yes. I think there is something like twenty-five thousand to fifty thousand plus \$1 per horse-power per year.

Q. So the company are paying two different authorities for the same power?—A. Yes; this is what we exact before we agree to an assignment or transfer of sale.

Mr. JACOBS: The canal belongs to the Dominion.

Hon. Mr. MACKENZIE: Mr. Montgomery, was this one of the questions referred to the Supreme Court.

Mr. MONTGOMERY: I do not think so. Canals and water-powers are clearly in the Dominion, I think.

Mr. WHITE: Does not the Act say so?

Mr. MONTGOMERY: Yes.

By Mr. White:

Q. And the water-power developed by the 80-foot head is many times the amount of the same water at the 10-foot head?—A. Eight times as much.

Q. So instead of getting paid for the original amount of horse-power you get paid for very much more?—A. Very much more.

Q. All that, of course, is intensely interesting to the Department, but the question I asked you was whether you knew, as a fact, whether Mr. Henry had been consulted about the application of the Beauharnois Light, Heat and Power Company at the time when he was Deputy Minister of Railways and Canals?—A. I am not aware of it. I know that the order in council agreeing to those assignments and transfers was made under the recommendation of the Chief Engineer of Railways and Canals concurred in by the Deputy, but that is the form we are using all the time in all those orders in council, and personally I do not know that he had any connection with it.

By Hon. Mr. Mackenzie:

Q. You are compelled to use that form?—A. Practically; I think all of them are that way.

By Mr. White:

Q. Is the concurrence of the Deputy necessary for the passing of such an order in council?—A. I would say that if there was a recommendation which the Minister wants to send to Council and his Deputy does not agree with him, probably the report to Council will mention only the Minister, or possibly the Chief Engineer, if the Chief Engineer agrees with him.

The CHAIRMAN: The Minister usually requires that, as a matter of security.

Mr. WHITE: We have these orders in council, have we not?

The WITNESS: I have a copy of one of them here.

By Mr. White:

Q. This is a copy of No. 2202?—A. It would be on the fourth page.

Q. The order in council recites:—

The Minister, on the advice of the Chief Engineer of the Department, concurred in by the Deputy Minister of Railways and Canals, recommends that authority be given for entry into an agreement with The Montreal Cotton Company, of the first part; Beauharnois Light, Heat and Power Company, of the second part; and His Majesty the King, represented therein by the Minister of Railways and Canals of Canada, of the third part, giving consent to the approving of the terms of the above-mentioned sub-lease

What lease was that?—A. No. 2516, the big lease to the Montreal Cotton Company for the 10,000 cubic feet.

Q. Are you suggesting that the Deputy Minister of Railways and Canals did not concur in this recommendation?—A. No, not at all; but I say that, as I said before, that the previous Deputy, Major Bell, gave his instructions to the Engineers' Branch: "Look through all your hydraulic leases, for lots are improvident, and if you find that these people have been in default about anything bring it to my attention and we will see that the lease is cancelled or that we get reasonable rental for the resources we are giving." I do not recall that I ever consulted Mr. Henry as to the recommendation for the new rentals, first agreeing to the assignment or recommending the assignment, and fixing the new rentals that would be needed; I do not recall that I ever discussed it with him; it was done, as I say, on previous instructions.

Q. Do you say you did not discuss it?—A. Not to my knowledge.

By the Chairman:

Q. Who drew the recommendation in Council?—A. The Legal Branch, usually.

Q. On whose instructions?—A. It may have been the Minister direct, I do not know.

Q. Who was the Minister at that time?—A. Mr. Dunning.

Q. He would hardly do that direct, would he?—A. I suppose he would.

Q. It would be a special thing if he did it himself?—A. Of course, that was discussed with the Legal Branch for months.

Q. I suggest to you that the Minister, unless it was something very special, would not draw the recommendation in Council?—A. Not himself; the Legal Branch would do it.

Q. And he would not give the instructions himself?—A. I have seen instances where he has.

Q. In consultation with the Deputy Minister?—A. Not necessarily. I have known of orders in council given direct through consultation with the Chief Engineer.

Q. Well, in consultation with somebody?—A. Possibly; it may have been with the Legal Branch alone, for that matter. In any case, I am telling you now what I am actually aware of, and I am not aware that I have at any time discussed either the propriety of agreeing to an assignment or as to the rate that should be charged in the new lease.

By Mr. White:

Q. Why would you not discuss it with your Deputy Minister?—A. Because to me the thing was obvious.

Q. But as to the propriety of granting the assignment at all?—A. The thing was so obvious to us. There we were with \$600 and we were going to get \$36,000, and we thought it was the obvious thing to do.

Q. Either you did not discuss it with Mr. Henry or you did, or you don't remember. Now, which is it?—A. I can only speak of what I remember.

Q. Do you remember?—A. I do remember that I did not; at least, I cannot remember that I ever did discuss it—put it that way.

Hon. Mr. MACKENZIE: That is safer.

By Mr. White:

Q. Then do you remember that you advised your Minister in this matter?—A. I would not be surprised if I had discussed it with him. Of course, I saw Mr. Dunning very often.

Q. Please listen to the question and pay attention to it. Do you remember that you discussed this particular matter with your Minister?—A. I do not remember.

Q. Then may we take it that it may be possible that this order in council was passed without the advice either of yourself or the concurrence of the Deputy Minister?—A. Oh, no. I told you that I recommended it. You asked me whether I discussed it with Minister, and I said I cannot remember.

Q. I asked you if you advised the Minister?—A. Advised him?

Q. I am following the wording of the order in council: "The Minister, on the advice of the Chief Engineer of the Department. . . ." I use the word "advice"?—A. Do you mean "advise"? I did advise the Minister that this was a proper thing to do.

Q. Did the Deputy Minister concur in your advice?—A. I do not know; I do not recall discussing it with him.

Sir EUGENE Fiset: Is this the text of the order in council itself, as passed by the Privy Council?

Mr. WHITE: It is the order in council.

By Sir Eugene Fiset:

Q. In order to pass that order in council was there a report sent from the Minister or a departmental report signed by you or the Deputy Minister on which the order was based?—A. The whole agreement was under discussion between the Legal Branch of our Department and ourselves, the engineers of my Branch, for quite a long time as to the actual wording.

By the Chairman:

Q. When you send a report to the Privy Council on which an order in council is based, is that report to the Privy Council signed by some official of the Department, the Deputy Minister or the Chief Engineer?—A. No, it is not signed by either; it is sent to the Minister either by the Secretary of the Department or by the Deputy Minister for his signature, and he brings it to Council; but before it is sent to him, of course, it must be concurred in by the officials.

Q. Did you concur in that report?—A. I did.

By Hon. Mr. Mackenzie:

Q. And you accept the responsibility for your advice?—A. Quite.

By Mr. White:

Q. Coming back for a moment to the question of the rental that you got, I understand you to say that you are getting for 10,000 cubic second feet, how much rental?—A. \$36,000 from the day that the company starts operating.

Q. That would be how much per horse power?—A. That is divided into \$2,268 for land and \$4 per horse power on 8,333; I think that is what it is.

Q. How many horse power?—A. 8,333.

Q. Now, 10,000 cubic second feet with a velocity of 2.25 feet per second and a fall of 80 feet would develop how many horse power?—A. Do you mean 8,333?

Q. No, the number of horse power developed by 10,000 cubic second feet with a fall of 80 feet at a velocity of 2.25 feet per second?—A. That will develop 80,000 horse power.

Q. So at \$4 per horse power the annual value of that would be \$320,000?—A. Quite correct, if you were the owner of the 80 feet.

Q. I am only asking. It does not matter whether you are the owner or not, the fact remains just the same, does it not?—A. Quite.

By Hon. Mr. Mackenzie:

Q. Do you contend that you are the owner of the 80 feet?—A. I meant that you could not exact \$4 per horse power on the 80 feet if you have not got the 80 feet.

By Mr. White:

Q. Why not?—A. Because you cannot exact a rental on a property that is not yours.

Q. You were not exacting this rental on this property at all. You were giving them the right to take the water away from this property and put it somewhere else where they actually developed 80,000 horse power more?—A. Our right at that spot was 10 feet, and not an inch more.

Q. Quite so?—A. Then I cannot talk about 80 feet.

By the Chairman:

Q. The 80 feet would not be any good without the water?—A. No.

By Hon. Mr. Mackenzie:

Q. Your contention is that you were only entitled to 10 feet?—A. Yes.

Mr. WHITE: Perhaps there is something in his contention, too.

Hon. Mr. MACKENZIE: Quite a lot. You are getting more human as time goes on.

Mr. WHITE: That is because of my association with the left wing.

Q. Then do you remember any application in connection with Beauharnois or between Lake St. Francis and Lake St. Louis that was made to your department by Senator McDougald and Senator Raymond, or either of them?—A. I do not recall any application by the two senators you mention. I recall an application by the Sterling Industrial Corporation, without knowing who the members were at the time.

Q. The point is, are you prepared to say that neither of these two gentlemen made any application to your department in connection with the water power project between Lake St. Francis and Lake St. Louis?—A. I am not aware of any by the two gentlemen you mention.

Q. Or either of them?—A. Or either of them.

Witness discharged.

Mr. WHITE: Before I call Mr. Ebbs, there is one matter I have forgotten to ask Mr. McLachlan, and Mr. Symmes has reminded me of it. It will take only a second.

DUNCAN W. McLACHLAN, recalled.

By Mr. White:

Q. Mr. McLachlan, you are already sworn. Can you tell me how much the withdrawal of 40,000 cubic second feet in the St. Lawrence River at the head of the Cedars would lower Lake St. Francis in the absence of control or remedial works?—A. Speaking from memory, I am sure that the average drop is one foot per 34,000 second feet at the outlet of Lake St. Francis. I would say the drop would be 40,000 divided by 34. That would be about 1.2 feet. I am speaking from memory. You can turn up the joint Engineers Report, and there is a plate in the back which will give you the answer.

By Hon. Mr. Mackenzie:

Q. That is without control works?—A. That is without control works.

JOHN PARSONS EBBS, called and sworn.

By Mr. White:

Q. Mr. Ebbs, you are a member of the firm in Ottawa of McGiverin, Haydon and Ebbs?—A. Yes.

Q. Or is it now Haydon and Ebbs?—A. Haydon and Ebbs now.

Q. It was formerly McGiverin, Haydon and Ebbs?—A. Yes.

Q. Composed of formerly?—A. Hon. H. B. McGiverin.

Q. Senator Haydon and yourself?—A. That is right. Mr. McGiverin died in February of this year.

Q. I understand that he was not active for some time before his death, or was he?—A. Oh, he was connected with the firm right along. He simply severed his connections last October.

Q. I see. You received, we are told, the certificates for certain units in the Beauharnois Power Syndicate from Mr. L. Clare Moyer. Do you remember that?—A. Yes. I think I got 1,600 fully paid part interests, and the balance not being fully paid, why, of course, the delivery was not made.

Q. That would be when?—A. The 2nd of October.

Q. The 2nd of October, 1928?—A. The 2nd of October, 1928.

Q. And the balance at that time owing of \$144,000?—A. Well, if the books show that, of course that is right. I just didn't know what the amount was.

By the Chairman:

Q. That is on the further 1,600?—A. No. You see there was one 1,600 fully paid, and what was paid on the second 1,600 now I don't remember. The books would show that whatever that was.

By Mr. White:

Q. And that was paid by you, I understand, subsequently—in all about \$80,000?—A. Well, part of it was paid by me, and I think another part of it was arranged in some other way through Mr. Griffith, I think, as I understand it.

Q. Just tell us the facts?—A. I don't know. I made a payment of \$15,000 and \$10,000, and then the balance whatever it was, was paid—was arranged in some other way and was not paid—not by me—over. That is as I understand the transaction.

Q. Was the money that you paid your own?—A. Oh, no.

Q. Whose was it?—A. Senator McDougald's.

Q. And on whose instructions did you receive—did you take over those shares from Mr. Moyer?—A. Now, just whose instructions—the instructions I do not think came to me from Senator McDougald, but I know as the result of a conversation that was had—I think in the office—I went down to the office of the Beauharnois Power Corporation and the transfer was made there, do you see?—these shares that Moyer says that he had were signed to me. That was on the 2nd.

Q. Perhaps we will put it this way to make a long story short. Whose shares were they?—A. Senator McDougald's.

Q. Did you transfer them at any time?—A. No.

Q. You held them until the dissolution of the syndicate?—A. Right.

Q. And got cash?—A. Yes.

Q. And the shares?—A. Stock; right.

Q. That is forty for one?—A. Yes.

Q. And did you still hold them?—A. No. I delivered them all to Senator McDougald.

Q. You delivered them all to Senator McDougald. Do you remember when—the first of October, 1929?—A. Whenever the exchange was made for the part interests and the stock.

Q. When was that, Mr. Griffith?

MR. GRIFFITH: December 17, 1929.

WITNESS: Yes, December 17.

By Mr. White:

Q. Then we are told that your firm acted as solicitors for the Beauharnois syndicate? Is that correct?—A. Well, I do not know if we were solicitors for the Beauharnois syndicate. Perhaps we were. I know I attended all the meetings of the syndicate.

Q. What I want to get at—when did you first become connected with this project—when did your firm first become connected with it in any way?—A. When?

Q. Yes?—A. I should say the 2nd of October, 1928.

Q. Not before that?—A. Not as far as I know. I never heard of it, as a matter of fact, until about that date.

Q. Mr. Sweezey, I understood, told us that you had been retained before that?—A. Well now, Mr. Sweezey may have had some conversations with some members of the firm that I would know nothing about.

Q. Of course, you would participate in the fees?—A. That was sometime afterwards.

Q. I suppose that is a matter of some interest to you?—A. Quite. As a matter of fact, I think the arrangement was made by Mr. McGiverin with Mr. Sweezey. I think Mr. Sweezey can bear me out to that extent.

Q. The first entry that I have here in your account is September 30, 1928?—A. September 30, 1928. Yes, it was the 2nd October that I appeared at Mr. Griffith's office.

Q. Your modest expenses to Montreal appear on that date from the 30th to the 4th?—A. I suppose so.

Q. And at that time I see at intervals you incur according to your account, expenses—according to this account—the 6th of March, 1929. Then following that up until the 7th of October, 1929, according to this account, total expenses of some \$1,857?—A. I was in Montreal practically 200 days.

By the Chairman:

Q. What was that answer?—A. I was in Montreal about 200 days over a period of a year and a half.

Mr. JACOBS: You charged \$1,800 for that?

Mr. WHITE: Expenses. On October 17, 1929.

By the Chairman:

Q. You must have been working, Mr. Ebbs?—A. I was.

By Mr. White:

Q. I understand you received this cheque?—A. That is right.

Mr. WHITE: That is a cheque, Mr. Chairman, for \$50,000.

Mr. LENNOX: What is the date please?

The CHAIRMAN: Mr. Lennox wants to know the date.

Mr. WHITE: October 17, 1930.

(Cheque filed marked exhibit 85.)

By Mr. Lennox:

Q. Who was that made payable to?—A. The firm.

Mr. WHITE: McGiverin, Haydon and Ebbs.

By Mr. White:

Q. Then on September, 1930, there is this cheque?—A. That is right, I think.

Q. A cheque dated September 30, 1930, payable to McGiverin, Haydon and Ebbs, endorsed "for deposit" with a rubber stamp, for \$7,500, and the voucher shows payment of account of the legal expenses.

The CHAIRMAN: What is the voucher on the other cheque, if any?

Mr. WHITE: The voucher is blank.

By Mr. Lennox:

Q. When did you say you were first retained?—A. Somewhere around October 2, 1928.

Mr. WHITE: Well then, I show you a further cheque dated June 12, 1930.

The WITNESS: June 12, 1930.

Q. From Beauharnois Power Corporation.—A. What is the date of that, sir.

Q. June 12, 1930, for \$7,500, and the memorandum annexed, which is taken from the file of the Beauharnois Power Corporation, says, "Three years from October 1st, 1929, \$15,000 per annum, semi-annually, \$7,500, McGiverin, Haydon and Ebbs retained for period ending April, 1930, and a voucher in this case is dated June 12th, 1930, McGiverin, Haydon and Ebbs, \$7,500." This payment covers your fees as retainer for the period ending July 1, 1930.

The CHAIRMAN: When does this commence?

Mr. WHITE: It says here, three years from October 1, 1929.

Q. Is that correct, that you had this retainer, \$15,000 for three years?—A. I would not say. I imagine it is correct. I did not make that. Mr. Sweezy could explain that better because I think he made it with Mr. McGiverin.

Mr. LENNOX: Let me see that.

Mr. WHITE: That will be exhibit No. 86.

The CHAIRMAN: 88.

Mr. HELLMUTH: 87.

By Mr. White:

Q. This is the disbursement account that I read a moment ago, with a cheque that is dated December 16, 1929?—A. Yes. That was expenses to Montreal.

Q. Expenses to Montreal, Mr. Chairman, Mr. Ebbs tells me, and a letter to Mr. Griffith of the Beauharnois Light, Heat and Power Company which is dated October the 13th, 1929, which simply says:

We enclose our disbursement account. Yours truly.

The disbursements are from as I stated a moment ago, 30th September, 1928, to the 7th October, 1929, the amount being the amount of the cheque, \$1,857.24.

The CHAIRMAN: Are you putting that in?

Mr. WHITE: Yes. In the voucher there is simply \$1,857.24, Beauharnois Power Corporation.

The WITNESS: Those are my expenses to Montreal.

Mr. WHITE: Mr. Ebbs says those were his expenses to Montreal.

The CHAIRMAN: What is the date of that one?

Mr. WHITE: The cheque is dated December 16, 1929.

Mr. LENNOX: What is the amount?

Mr. WHITE: \$1,857.24. Of course, it is all not expenses to Montreal.

The WITNESS: I think you will find most of it is expenses to Montreal.

Q. A good part of it appears to be.

The CHAIRMAN: Whose cheque is that?

Mr. WHITE: A cheque of the Marquette Investment Corporation, H. B. Griffith. I see, apparently, on the 7th of January, 1929, Senator Haydon accompanied you to Montreal.

The WITNESS: I think so. I do not remember the date.

Mr. WHITE: This will be exhibit 88.

Q. Reading from the working notes of the auditors, Mr. Ebbs, I show you the items up to December 17, 1929, and the total appears to be \$59,357.24.

Mr. LENNOX: It represents what?

Mr. WHITE: It represents the payments to your firm up to December 17, 1929, the date of the dissolution of the syndicate, and following that up to December 31, 1930, an additional \$17,206.19, and up to May 31, 1931, \$9,600 or a total of \$86,163.43.

Mr. LENNOX: During what period?

Mr. WHITE: For the period, I suppose, from the 1st of October or the 30th of September, 1928. Services were started, Mr. Ebbs says, on the 1st of October.

The WITNESS: No, I do not say that; I really don't know.

Mr. WHITE: The first entry was on the 2nd—30th of September, 1928.

The WITNESS: I think that was about the time.

Q. About that time, up to the— —A. Present.

Q. To the 31st of May of this year, the total payments appear to be \$96,163.43.—A. Of course, I don't know—I could check these up and let you know if they are correct, as far as our books are concerned, or as far as I can find out.

Q. Have you any doubt of the correctness of this statement?—A. I don't think so, if that is what was in the books of the Beauharnois I am quite sure they are correct.

Q. Then you applied for and obtained letters patent incorporating the Sterling Industrial Corporation Limited?—A. That was obtained by our firm.

Q. And that application, the date of the charter we are told, was the 5th July, 1928?—A. 1924.

Q. I am sorry.—A. Correct.

Q. 1924; and who was your firm acting for in the application?—A. Well now, I just know what I heard Mr. Henry saying here, that he sat down I think, with Senator Haydon, and they worked out the charter and application was made for it.

Q. Who paid you?—A. Senator McDougald's money—it was Senator McDougald's money that paid for it.

Q. Then it came to a point where it was getting up close to the 8th March, 1929, and that application was still on the file. You recollect that, do you?—A. 8th March, 1929?

Q. That is the date of the order in council.—A. Oh, I do not remember the order in council. It was, I know—

Q. I am just giving you that date.—A. Yes.

Q. That is the date of the order in council?—A. Yes.

Q. So that you will be able to fix in your mind what I am going to ask you about now.—A. Yes.

Q. Did you do the negotiating with Mr. Swezey for the sale of the shares of that company, the Sterling company?—A. My recollection of that transaction, looking back at it, just from sitting here and listening to what was said, the negotiations had already been completed. I think the amount had been arrived at. I had no idea of amounts. The amount had been arrived at, you see, and then, when the arrangement was made, why Mr. Griffith and myself,

and I think Mr. Heward of the firm of Meredith and Holden, got together and we ran off that agreement.

Q. Who were you acting for?—A. At that time, I should say I was—or the original negotiations, I think were with Mr. Henry, but at the time that the agreement was made, I think it was understood that we were acting for Mr. McDougald and Mr. Henry.

Q. Mr. McDougald and Mr. Henry?—A. Well, I should think so.

Q. So far as your knowledge extends, in the first place, was this \$50,000 cheque for legal work?—A. Oh, yes.

By Mr. Lennox:

Q. Did you say it was?—A. Oh, yes.

Q. Did you render your bill?—A. Render our bill?

Q. Yes?—A. An arrangement had been made for payment of that.

Q. If you had charged them \$50,000 for legal fees, which is not a small amount, I would assume they would want to know what your work consisted of?—A. No, I think—

Q. Did you not give detailed expenses?—A. No; I think the amount was arranged beforehand.

Q. Before you did the work?—A. I think so.

Q. Not knowing what work you had to do?—A. Oh, I am not saying that we didn't—as a matter of fact, you are asking me now about—I didn't fix the retainer at all, as I say, the arrangement was made between Mr. Sweezey, and I say, I am quite confident Mr. McGiverin.

Q. What work did you do to get \$50,000?—A. Did all this work from the 2nd October, right up to the 10th of March, practically without let up, from 1928 to 1930.

Q. Then, the \$50,000 that you received, that would go to the credit of your firm?—A. Yes.

Q. Can you produce your bank book to show— —A. Yes.

Q. —what became of it?—A. Yes.

Mr. LENNOX: May we have that, Mr. Chairman?

The CHAIRMAN: Yes.

By Mr. White:

Q. I suppose you have not it here?—A. No.

Mr. MACKENZIE: I presume you are bringing this up to date, Mr. White? I would like to have it for all the lawyers who had anything to do with Beauharnois, right up to the present time, including Mr. Daly.

Mr. WHITE: I have not contemplated doing that, because I did not know how far the committee would want to go—

Mr. LENNOX: I think we should have that.

Mr. WHITE: —beyond the point of the resolution. I do not suppose that includes Mr. Hellmuth and Mr. Montgomery.

Mr. HELLMUTH: We have not been paid yet.

Mr. WHITE: I just want it thoroughly understood where I am to stop, that is all. It does not include them. Then, Mr. Daly, will you be prepared at the same time to tell us about yours.

Mr. DALY: Right now.

By Mr. White:

Q. Then did any other moneys in connection with this Beauharnois project pass through your firm other than those we had mentioned that are the moneys which passed through for legal fees?—A. None.

Q. Or do you know of any moneys passing through the hands of your firm for other than legal fees?—A. None at all.

Q. That is, I mean fees for legal or professional services rendered?—A. None whatever.

Q. You know of none?—A. I know of none.

By Mr. Lennox:

Q. You were not retained apparently by the Marquette Corporation; I mean you had no retainer?—A. I am afraid, Colonel, you will have to ask someone else about that.

Q. Well, your retainer according to the papers was from the Beauharnois Power Corporation, for which you were to receive \$15,000 semi-annually?—A. Yes, as a retainer.

Q. You had no retainer, apparently, from the company that gave you a cheque for \$50,000?—A. As I say now, I do not know what that arrangement was. That was made by someone else.

Mr. FORSYTHE: The Marquette Investment Corporation was disbursing for the Syndicate.

By Mr. White:

Q. The \$50,000 was really from the syndicate?—A. I do not know who it was from.

Mr. LENNOX: The two cheques for \$7,500 came from the Beauharnois Power Corporation Limited, and your cheque for \$50,000 came from the Marquette Investment Corporation, and it does not say what it was for.

Mr. WHITE: The Marquette Investment Corporation was the disbursing agency for the Syndicate.

Mr. LENNOX: It does not give any information although it does on each of the others.

Mr. WHITE: As I understand it, Mr. Chairman, the \$50,000 was services paid by the Syndicate. The other two, the two \$7,500 cheques were paid on account of retainer by the Beauharnois Power Corporation Limited.

Mr. LENNOX: Will you let me see that expense sheet please, Mr. White.

By the Chairman:

Q. Is that the way you understand it, Mr. Ebbs?—A. Yes. I am confident that the first came from the Syndicate. The arrangement was made with them, and the other was—

Q. You mean Syndicate No. 1?—A. Not No. 1.

Q. Number 2?—A. Yes.

By Mr. White:

Q. That is the Beauharnois Power Syndicate?—A. Right.

By the Chairman:

Q. Then if that is the fact why would it be the cheque of the Marquette Investment Corporation?—A. They were, I think, as Mr. Forsythe has said, disbursing all the moneys for the Syndicate.

Mr. FORSYTHE: The moneys of the Syndicate were all held by the Marquette Investment Corporation which was the depository under the arrangement made.

By the Chairman:

Q. Why did you change Beauharnois Light, Heat and Power Company the month before?

By Mr. Lennox:

Q. In your expense account you had covered a period of 200 days approximately?—A. No, no.

Q. Well, it covers from the 30th September, 1928, down to October 7th, 1929?—A. Yes. Well, I was not there all the time, Colonel, just intermittently. But right on up to the 10th of March, 1930, the total number of days I just figured approximately at 200.

Q. Would that include these days?—A. Well, from 1928 to 1929 I should say perhaps that there were about 100 days that I was down there in Montreal during that year.

Q. And your disbursement account is made payable to the Beauharnois, I mean your account is against the Beauharnois, Power Corporation amounting to \$1,800?—A. Yes.

Q. Now, that would cover the period for which you got the cheque for \$50,000 from the Marquette Investment Corporation?—A. Yes.

Q. It would cover that period?—A. I expect so, yes.

Q. So that you charged to the Beauharnois Power Corporation your expenses and you got your cheque from them, but the \$50,000 fee comes from the Marquette Investment Corporation?—A. I don't know why. It all came from the same people as far as we are concerned.

Q. And then it says here in the voucher "Beauharnois Power Corporation". That is, chargeable to the Beauharnois Power Corporation and the cheque is made—

Mr. FORSYTHE: When those services started there wasn't any Beauharnois Power Corporation.

The WITNESS: I think that just happened to be put in that way.

By Mr. Lennox:

Q. Well, the covering letter is addressed to H. B. Griffith, Esq., Beauharnois Light, Heat and Power Company, Drummond Bldg., 1117 St. Catherine street, Montreal, Quebec:—

We enclose herewith our disbursement account Why did you send the account to the Beauharnois Light, Heat and Power Company?—

A. You say that letter is dated what date?

Q. Dated October 17th, 1929?—A. October the 17th. The company was incorporated, I think, in September.

The CHAIRMAN: This company was incorporated in 1902.

The WITNESS: I do not know anything at all about the Beauharnois Light, Heat and Power Company. It is the Beauharnois Power Corporation that this may have been sent to.

The CHAIRMAN: It was sent to H. B. Griffith, c/o Beauharnois Light, Heat and Power Company, Drummond Bldg., Montreal.

Mr. FORSYTHE: That is just his address.

The CHAIRMAN: No, no,

H. B. Griffith, Esq., Beauharnois Light, Heat and Power Company, Drummond Bldg., 1117 St. Catherine street, Montreal, Quebec.

The WITNESS: That might just as well have been addressed to H. B. Griffith alone rather than at his address at the Drummond Building. There was no necessity for putting on Beauharnois Light, Heat and Power Co. There is no significance, I mean, in that at all.

Mr. LENNOX: I see a note here written by a Mr. Knowles. Is he a member of your firm.

Mr. FORSYTHE: He is an Accountant in the Beauharnois.

Mr. LENNOX: He says "don't be in a hurry to pay this".

The WITNESS: They must have been short of funds.

Mr. WHITE: Who is the bill rendered to, Colonel Lennox.

Mr. LENNOX: The bill is rendered to the Beauharnois Power Corporation Limited.

The WITNESS: I think it was set up at that time.

Mr. LENNOX: It started on the 30th of September, 1928.

By Mr. White:

Q. Then, Mr. Ebbs, have you ever had any stock interest personally in either of the Beauharnois Syndicates?—A. None whatever.

Q. Or in the Beauharnois Light, Heat and Power Company?—A. None whatever.

Q. Or in the Power Corporation?—A. Yes. I bought some at 10 and sold them at something less than 10 on the open market.

Q. You still have an interest in it then?—A. I have none whatever. I bought it at 10 and sold it all at less than 10.

Q. That is what I say, you still have an interest in it. And did you have any stock interest in the Sterling Company?—A. None whatever.

By Mr. Lennox:

Q. Just to clear up a little matter in which I am in doubt. You say the fees were agreed upon as being \$50,000. Was that in writing?—A. Well now, Mr. Sweezey could tell you that. I was not there and would only be telling you what someone else had told me. We got the cheque.

Q. But you would be familiar with it?—A. You are asking me what the arrangement was.

Q. I am asking you if there was a written agreement by which your firm was to receive \$50,000?—A. I do not think so.

Q. Do you know when the arrangement was made?—A. No, I do not.

Q. Did you know when you were doing the work that you were going to get \$50,000?—A. Yes, I knew there was an arrangement.

Q. Who told you?—A. I think Mr. McGiverin told me. I know it was talked over in the office.

By the Chairman:

Q. The Moyer shares were apparently originally subscribed for on behalf of W. B. Sifton?—A. I don't know anything about them.

Q. My recollection is not quite clear on this. You got some instructions from somebody intended to be conveyed to Moyer after Sifton's death as to what he should do with the shares?—A. No, I don't know anything at all about that. I went down to Mr. Griffith's office and from that date I represented these shares. I did not know anything at all about them from history or anything else prior to that.

Q. Why did you go to Griffith's office?—A. I went down there on instructions to represent Senator McDougald.

Q. From whom did you get the instructions?—A. As I say, from one of the firm, which one of them I don't just remember.

By Mr. Lennox:

Q. One of your own legal firm?—A. Yes, one of our own legal firm.

By the Chairman:

Q. Well, there were just the three of you?—A. That is right.

Q. And you were told to go to Griffith's office?—A. Yes, I was told that I was going down there to represent some shares of Senator McDougald's.

Q. Up to that time had you known that Senator McDougald had any shares?—A. I did not know that such a thing existed.

By Mr. Lennox:

Q. Well, can you explain why the shares were transferred to you instead of being transferred direct to Senator McDougald?—A. In thinking that over, after having heard you ask that question before, Colonel, I was at that time representing the shares that Senator McDougald had in the firm. Now, I do not know why it was, but the balance of them apparently were turned over to me.

Q. There seems to be an awful lot of mystery about McDougald?—A. There is no mystery as far as I can see. These shares of Senator McDougald were placed in my name. I gave Senator McDougald declarations of trust immediately.

Q. Yes?—A. That I was holding them for him, and I got receipts from him as soon as I turned them over to him.

Q. Before you got them apparently they belonged to Senator McDougald and were in the hands of Sifton, is not that true?—A. I don't know anything at all about that. I am telling you that I did not even know that such a thing existed before I went down there.

By Mr. White:

Q. While you are looking at that, have you the Minute Book of the Sterling Company there?—A. No, I turned everything over.

Mr. WHITE: Have you got it here, Mr. Griffith.

Mr. GRIFFITH: I think it is at the hotel.

Mr. WHITE: I wonder if you can get them up here as soon as possible.

Mr. GRIFFITH: Yes.

The WITNESS: I have some declarations of trust here that I gave him.

Mr. WHITE: May I just see those.

The WITNESS: They are not taking any chances on me.

The CHAIRMAN: What is the date of that, Mr. White?

Mr. WHITE: The 7th January, 1929. The only Declaration of Trust is dated December 28th, 1928.

The WITNESS: And one by a letter of October, 1928.

Mr. WHITE: There is a letter dated October 15th, 1928, from Mr. Ebbs to Dr. W. L. McDougald, Montreal, reading:—

OTTAWA, October 15th, 1928.

Doctor W. L. McDOUGALD,
Montreal,
Quebec.

DEAR DOCTOR McDOUGALD,—I have received from The Beauharnois Power Syndicate a Certificate for Sixteen Hundred Part Interests, dated October 9th, 1928, signed by R. O. Sweezey, as President, and Hugh B. Griffith, as Secretary-Treasurer, countersigned by The Marquette Investment Corporation, Transfer Agent and Registrar, by its Secretary, F. W. Molson. The Certificate is numbered 217.

This is to acknowledge that I have no interest whatever in this Sixteen Hundred Part Interests, that they belong solely to you and that the absolute title to this Certificate for Sixteen Hundred Part

Interests is yours, and as further evidence of this, and so that there may be no misunderstanding about the matter in the event that anything should happen to me, I am executing the following assignment:—

I, John Parsons Ebbs, of the City of Ottawa, in the County of Carleton, and Province of Ontario, Barrister-at-Law, do hereby assign, transfer and set over unto Wilfrid Laurier McDougald, of the City of Montreal, in the Province of Quebec, Physician, all my right, title, and interest into or out of the above Certificate and that the Sixteen Hundred Part Interests thereof above mentioned are hereby assigned.

Dated, Ottawa, October 15th, 1928.

Witness:

(Sgd.) J. P. EBBS.

M. H. Kelly,

418 Ottawa Electric Bldg.,
Ottawa, Ontario.

Yours very truly,

(Sgd.) J. P. EBBS.

Mr. LENNOX: You said the transfer was made to Ebbs on the 28th December?

The WITNESS: October 2nd, 1928.

Mr. LENNOX: What is the reference to the 28th December?

Mr. WHITE: That is the date of the Declaration of Trust.

Mr. LENNOX: He had not the shares at that time.

Mr. WHITE: The Declaration of Trust reads:—

I hereby acknowledge that I hold Sixteen Hundred Part-Interests, Certificate No. 217, of The Beauharnois Power Syndicate, in trust for Wilfrid Laurier McDougald, of the City of Montreal, in the Province of Quebec, Physician; that the said Part-Interests were purchased with his money and that all dividends and advantages accruing thereon are and shall be held by me and my legal representatives for the use, benefit and advantage of the said Wilfrid Laurier McDougald.

The CHAIRMAN: Is that the first Sixteen Hundred?

Mr. WHITE: The first. Then:—

I also hereby acknowledge that I hold an additional Sixteen Hundred Part-Interests in the said The Beauharnois Power Syndicate part only of the consideration moneys for which has been paid; and I also hereby acknowledge that these said Sixteen Hundred Part-Interests title to which in the books of the said The Beauharnois Power Syndicate is recorded in my name, are held in trust by me for the said Wilfrid Laurier McDougald, of the City of Montreal, in the Province of Quebec, Physician; and that the said Part-Interests are being purchased with his money and that all moneys credited on the purchase price of the said Part-Interests are the moneys of the said Wilfrid Laurier McDougald, and that all dividends and advantages accruing thereon are and shall be held by me and my legal representatives for the use, benefit and advantage of the said Wilfrid Laurier McDougald.

On demand I agree to transfer the said Part-Interests to the said Wilfrid Laurier McDougald or his nominee and to account to him for all dividends and profits received by me for the said Part-Interests.

In witness whereof I have hereunto set my hand and seal this twenty-eighth day of December, A.D. 1928.

(Sgd.) J. P. EBBS.

Signed, sealed and delivered in the presence of:

(Sgd.) M. H. KELLY,

418 Ottawa Electric Bldg.,
Ottawa, Ontario.

The CHAIRMAN: Let me have those documents.

Mr. WHITE: Yes.

Then on the 7th January, 1929, there is a receipt signed by W. L. McDougald:—

Received from John P. Ebbs, of the City of Ottawa, Barrister-at-Law, Declaration of Trust of Certificate No. 217 for Sixteen Hundred Part-Interests in The Beauharnois Power Syndicate; and an additional Sixteen Hundred Part-Interests in the said The Beauharnois Power Syndicate, party paid, for which no Certificate has yet issued.

Receipt is also acknowledged of the said Certificate No. 217, which is made out in the name of John P. Ebbs.

Dated at Ottawa, January 7th, 1929.

(Sgd.) W. L. McDUGALD.

Then a letter from the Marquette Investment Corporation to Mr. J. P. Ebbs, dated October 9, 1928, reading:—

DEAR SIR,—Enclosed herewith please find Certificate No. 217—for 1,600 Part-Interests of The Beauharnois Power Syndicate in the name of John P. Ebbs.

Kindly acknowledge receipt of this certificate.

Yours truly,

MARQUETTE INVESTMENT CORPORATION,
(Sgd.) H. B. GRIFFITH.

By Mr. Lennox:

Q. I understood you to say, Mr. Ebbs, that you did not know anything about the existence of these 3,200 shares?—A. Before the 2nd October, 1928.

Q. What was the first inclination you got, and from whom, with respect to those shares?—A. I went down to Mr. Griffith's office on instructions from our own office and I saw Mr. Gariepy, and I saw Mr. Moyer, and as the result of that interview these shares were transferred to me.

Q. Who instructed your office?—A. I assumed that it was Senator McDougald.

Q. But you cannot give any reason for that being placed in your name rather than being placed direct?—A. Originally?

Q. Yes?—A. I do not know.

By Mr. White:

Q. No, at the time you acquired them?—A. That is what I mean. As to why they were put in my name when I went down there I do not know.

By the Chairman:

Q. Dealing with the first sixteen hundred shares, those are shares Mr. Moyer subscribed for in the name of and on behalf of W. B. Sifton? Did you know that?—A. No.

Mr. WHITE: Why "in the name of"?

By the Chairman:

Q. Subscribed for and on behalf of W. B. Sifton?—A. No.

Q. You know it now?—A. I have heard it said here to-day.

Q. And those are the sixteen hundred shares you referred to in this Declaration of Trust?—A. I presume they are the same.

Q. Is there any doubt about it?—A. I do not know. Moyer assigned those to me, whatever he had.

Q. Moyer says he paid in full for sixteen hundred shares with Sifton's money?—A. All right. I say I got sixteen hundred shares fully paid; I do not know whose they were.

Q. Moyer swears he subscribed for sixteen hundred shares in the syndicate and that he was supplied with money to pay for them by W. B. Sifton?—A. I have no knowledge of that.

Q. I think he is telling the truth.

Hon. Mr. MACKENZIE: Does that seem surprising to you?

The WITNESS: I have no reason to doubt him at all.

By the Chairman:

Q. And subsequently, Moyer says, acting under instructions from Mr. Sifton and following those instructions after Mr. Sifton's death, he transferred the 1,600 shares to you? (No answer).

Hon. Mr. MACKENZIE: On instructions?

The CHAIRMAN: Yes.

Q. And then you executed this Declaration of Trust—a very proper document—with respect to them, and you make the Declaration of Trust in favour of Dr. McDougald. Now, do you know how the contact was set up between Sifton and McDougald?—A. I do not know the first thing about it.

Q. Let me read to you from the Declaration of Trust:—

I hereby acknowledge that I hold Sixteen Hundred Part-Interests, Certificate No. 217, of The Beauharnois Power Syndicate, in trust for Wilfrid Laurier McDougald, of the City of Montréal, in the Province of Quebec, Physician; that the said Part Interests were purchased with his money.

This document is signed by you. How did you know that?—A. I knew they were not purchased with my money, and they were paid in full. There were 1,600 fully paid shares.

Q. But they were not, according to Moyer's sworn testimony, paid for by McDougald's money at all but paid for by Sifton?—A. The only part I was covering there was that they were not paid with my money.

Q. You arrived at your conclusion that they were purchased with McDougald's money purely by a process of exclusion?—A. That is all. Quite candidly, I never heard of anybody in the transaction but the Senator at that time.

Q. Then the second 1,600 shares which were only partly paid for?—A. Yes.

Q. Did you pay for the balance owing on them?—A. I paid part of the balance.

Q. And that was money supplied to you by McDougald?—A. Right.

Q. And, so far as you know, if they were ever paid in full the ultimate balance was paid to McDougald direct?—A. Right.

By Mr. White:

Q. There was \$80,000 owing at the time of the dissolution of the syndicate?—A. Yes; there was a call that was not made.

By the Chairman:

Q. Did you ever take occasion to talk to W. B. Sifton about it?—A. I saw Mr. Sifton in the House of Commons one night when the session was on before he died, and I never saw him after that.

By Mr. Lennox:

Q. How long did you have the shares in your name?—A. I think I had them from the 2nd October up to the time that the exchange was made for the cash and stock in the company. The thing was all made out in Senator McDougald's name.

The CHAIRMAN: Do you want to put those documents in as exhibits, Mr. White?

Mr. WHITE: Yes.

Q. I suppose they are of no use to you now?—A. No.

EXHIBIT No. 89

Letter dated October 9, 1928, from Marquette Investment Corporation per H. B. Griffith to J. P. Ebbs, *re* Certificate No. 217 for 1,600 Part Interests of The Beauharnois Power Syndicate.

Letter dated October 15, 1928, from J. P. Ebbs to Dr. W. L. McDougald, *re* Certificate for 1,600 Part Interests dated October, 9, 1928, and containing transfer thereof from J. P. Ebbs to W. L. McDougald.

Declaration of Trust by J. P. Ebbs, dated December 28, 1928, *re* Certificate No. 217, etc.

Acknowledgment of receipt of Declaration of Trust of Certificate No. 217 from W. L. McDougald to J. P. Ebbs, dated January 7, 1929.

By Mr. Lennox:

Q. That would mean that you had them in your name for a year and two months, from October, 1928, to December, 1929?—A. Yes.

By the Chairman:

Q. Is my recollection correct when I say that the total amount of moneys received by your firm, so far as you know, for legal fees and expenses is \$86,000 in round figures?—A. Yes.

Q. And did I understand you to say that you knew of no other moneys paid to your firm or to any member of it by Sweezey, by the Beauharnois Power Corporation, by the Beauharnois Light, Heat and Power Company, Limited, by either of the syndicates or the Marquette Investment Corporation, or any other subsidiaries of the Beauharnois Power Corporation?—A. No.

Q. No other moneys paid to your firm or any member of it for any purpose?—A. Not as far as I know.

Mr. LENNOX: I think in addition to Mr. Ebbs producing his bank book he had better produce any cheques he has which were issued at the time the \$50,000 were deposited to the credit of the firm.

By the Chairman:

Q. Would you be good enough to give us those cheques?—A. I will give you anything you want.

The CHAIRMAN: Have you any questions to ask, gentlemen?

Witness retired.

Mr. WHITE: Mr. Chairman, what do you say to recalling Mr. Sweezey on that point so that we can clear it up?

The CHAIRMAN: Yes.

R. O. SWEEZEY, recalled.

By Mr. White:

Q. You are already sworn, Mr. Sweezey?—A. Yes.

Q. You heard the evidence of the last witness?—A. I heard part of it, but not entirely.

Q. He says that by pre-arrangement his firm received a cheque for \$50,000 for legal services in connection with the Beauharnois Power Syndicate, and that you made the arrangement to settle that amount with a member of his firm?—A. Yes.

Q. Is that correct?—A. That is correct. I want to explain—

Q. Perhaps you will let me conduct the examination. With what member of the firm was the arrangement made?—A. Mr. McGiverin.

Q. What was the arrangement?—A. The arrangement was the result of much discussion. First I went in to see Senator Haydon but he was not in, and I saw Mr. McGiverin. I asked to have his firm retained as my counsel and guide in Ottawa in our efforts to have our plans approved. He heard my story about what we were aiming at and explained that it would be probably impossible for him to act for us because he was already under retainer from somebody else whose interest he thought would clash with ours, but as that retainer ended soon he would know in a given time, which was a matter of a few weeks, as I recall it, whether or not he could act for us.

Q. Did he tell you who?—A. No; I only had my suspicion as to who it was.

Q. Sterling?—A. No. I understand it was the Shawinigan Company.

By the Chairman:

Q. Did you not know anything of the Sterling at this time?—A. No. If I had it did not mean anything to me.

Q. You did not know anything of McDougald's interest in Sterling?—A. In 1928, no.

Q. Yes?—A. Then when I saw him again he had—apparently the other retainer had worked its time out and he was free to act for us, and then I entered into a discussion upon the terms upon which he would represent us, and he asked a retainer that I thought was much too much, particularly as we were not sure of our ground up to that time. He asked a retainer of so much a year, which as I remember it, was in excess of \$30,000.

Q. A year?—A. Yes. So I thought it was too much; but after quite a lot of discussion, I said if our efforts were successful and the company were launched and going, it would not be so bad to pay that much, but if we did not succeed and I had to take it out of the pockets of a few members of the syndicate, it was difficult. However, by a compromise I agreed that if the thing got through I would much prefer to pay on that basis; if it went through I would pay him \$50,000, and a retainer for three years at \$15,000. To me it looked much easier to do so on the event of success than to do it regardless of the time and conditions we then faced.

Q. It always makes the lawyers work harder?—A. It is human nature to work harder at a price.

By the Chairman:

Q. In the event of failure, what was going to happen?—A. Well, he would have his expenses. At least I presumed that he would have to have his expenses. I did not make—

Q. You did not make any provision?—A. No. I was sure he would charge me something for it.

By Mr. Lennox:

Q. When were you to pay the \$50,000?—A. I am not very clear just on how definite it was, but it was to be done at the time that everything would be approved in the way of getting what was necessary under the Navigable Waters Protection Act.

Q. Now, according to Mr. Ebbs' evidence, the firm first became associated with you on October 2, 1928; is that the time you made the arrangement?—A. It was sometime previous that the arrangements were made, but it took some little time to bring it into effect. I do not recall the exact date.

Q. The \$50,000 cheque was not given for a year afterwards?—A. Not until the work had been completed.

Q. I see. And then I find attached to the cheques—that is to the retainer cheques—the cheques for retainer I should say—you have vouchers, one bearing date June 12, 1930, "this payment covers your fees as retainer for the period ending April 1st, 1930." Then the next cheque was given in September, 1930, "payments, on account of legal expenses, \$7,500." Now, in the voucher which is attached to the \$50,000 cheque, there is a blank, although it reads "date of.....invoice.....amount.....on account of", and the voucher is in blank. Why is that?—A. I really—I did not pay the thing myself; it went through the secretary-treasurer. I do not know.

Q. You signed it?—A. It was quite clear to me that the \$50,000 was for fees for his work during that period.

Q. Why was it not endorsed on the voucher?—A. I do not know, sir. It is a matter for the department of the treasurer of the company.

Q. No reason for the voucher being in blank?—A. I do not see any reason. There is no reason that I can see. You can see what it is for. It was obviously fees for the lawyers' firm.

Q. You see, apparently, you anticipated that that should be done, in your printed form?—A. Yes, in some of the printed forms there is very little explanation about that. If the name of the firm is there, it means only one thing; it is for their particular branch of work.

Q. One would have thought that in a cheque for \$50,000 you would have mentioned it?—A. I think it should have been.

Q. There is no reason as far as you know for the voucher being as it was?—A. No. I have no reason.

Q. It was not a subscription?—A. No. Oh no it was decidedly \$50,000 for their work.

By Mr. White:

Q. Contingent upon approval being granted?—A. Yes.

By the Chairman:

Q. So that when you made your deal with Senator McDougald where you bought the Sterling assets and were to pay these 2,000 part interests, that deal was contingent upon the Order in Council passing?—A. Yes sir.

Q. And when you employed Senator Haydon and agreed to pay him \$50,000 that fee was contingent on the Order in Council passing?—A. Yes.

By Mr. Lennox:

Q. That being the case, the Order in Council having been passed in March of 1929, why was the payment delayed for six or eight months?—A. Because we did not have very much money, and we needed it in many other directions.

Mr. WHITE: Poor lawyer had to wait. You know how that is.

The WITNESS: A lot of individuals had to put up the money. We were hard up.

Mr. WHITE: They pay everybody else before the lawyers.

Mr. STEWART: Lawyers and doctors.

Mr. WHITE: That is all for now, Mr. Sweezey. I will call Mr. Daly.

The CHAIRMAN: Mr. Daly, just as Mr. Montgomery and Mr. Hellmuth and the other counsel, is, I suppose, being paid for his work here before the committee. I have absolutely no objection to hearing him, but it seems to me—it was your suggestion, Mr. Mackenzie.

Hon. Mr. MACKENZIE: My suggestion was this: that seeing that we had evidence regarding what happened here, the evidence might be brought up to the date this committee commenced to sit. It is immaterial to me, but I think when you hear one set of lawyers with their accounts exposed before the committee, you should hear them all.

Mr. LENNOX: I have no objection.

The CHAIRMAN: I have no objection.

Mr. MACKENZIE: I would like to talk it over with the auditor of the committee. Leave it until to-morrow morning.

Mr. WHITE: I can give you the information, Mr. Mackenzie.

AINSLIE W. GREENE, called and sworn.

By Mr. White:

Q. Mr. Greene, you are a practising barrister in Ottawa?—A. Yes.

Q. And you were, I understand retained by— —A. Originally by Meredith, Holden & Company.

Q. To act on behalf of?—A. First I did not know. Later it turned out to be—I really do not know—Marquette Investment Corporation or Beauharnois. If my recollection is correct, my account was paid by Marquette Investment Corporation.

Q. It was rendered to whom?—A. Rendered to Marquette Investment Corporation.

Q. We are told that they were disbursing on behalf of the Beauharnois Syndicate, and later the Beauharnois Power Syndicate. When did your services start?—A. Well, you have a copy of my correspondence, Mr. White. I have forgotten the date. If you look at the first letter from Meredith, Holden and Company to me, you will get the commencement of it.

Q. 12th October, 1927?—A. That is it.

Q. And it extended over a period of—apparently the last letter I have here is September 16, 1929?—A. That would be it.

Q. And your account was paid 27th July, 1929—at least part of it?—A. Part of it. I do not think it was all paid until sometime in 1930. I did not look up these figures.

Q. Your total fees, I understand were \$10,000?—A. \$10,000.

Q. And you have handed me your correspondence?—A. Yes.

Q. And does this contain all—at least, copies of your correspondence?—A. Copies.

Q. Are these true copies of all of your correspondence that you have had in connection with this matter?—A. Absolutely everything.

Mr. WHITE: I have been through this, Mr. Chairman, and there does not appear to me to be anything in it.

The CHAIRMAN: There is \$10,000.

Mr. WHITE: That is nothing to me, as you will see when you get my bill. There is nothing in it requiring comment. The services are largely departmental routine. There are some references, of course to interviews and things of that sort, but nothing that I can recall.

The CHAIRMAN: Having no particular significance to the matters under review here?

Mr. WHITE: There may be one or two letters, and if you will allow me a moment—I have looked them up. I have a few things of this kind to check up, and I am liable to slip.

By Mr. White:

Q. You were, I see, from time to time urging the officers of the department to get busy?—A. Yes.

Q. Various departments?—A. That was one of my main functions, to follow the application through the Public Works.

By the Chairman:

Q. That is the application for— —A. Beauharnois Light, Heat and Power under the Navigable Waters Protection Act.

Q. Were you told of the Sterling Industrial Corporation?—A. Never heard of it, sir, until this enquiry.

By Mr. White:

Q. You also had something to do, I understand with the obtaining of the approval of the assignment of the Cedars Rapids lease?—A. No.

Q. Or Montreal Light,— —A. No, I had nothing to do with that, Mr. White.

Q. Did you see Mr. W. B. Sifton in connection with this matter?—A. Yes, quite frequently.

Q. Working with him?—A. Yes, perhaps I should say under him.

Q. Under him?—A. Well, I looked upon Mr. Sifton and Mr. Geoffrion as main counsel for the applicants.

Q. Although you had obtained your original instructions from Meredith, Holden and company?—A. Quite.

By the Chairman:

Q. Then, you would probably have come in contact with the late Clifford Sifton, also?—A. Not in this connection, no.

By Mr. White:

Q. Here is one letter that I would like some explanation of. It is dated July 21, 1928 addressed to H. B. Griffith, Esq., 210 St. James Street, Montreal, Quebec, and is as follows:

DEAR HUGH:—This is just a line to remind you to bring with you the next time that you come to Ottawa, the necessary information in connection with the liabilities of outside subscribers to your syndicate. I explained the situation to you in connection with Greene and Robertson, and would like to clear this up if possible so that they might participate.

Yours very truly,

AINSLIE W. GREENE.

What is the reference there, Mr. Greene?—A. Well, at that time I understand a lot of brokerage firms in Canada were being urged to participate to the extent, I think, of \$100 subscriptions, and we, Greene and Robertson, were spoken to by him or by some of the Beauharnois people themselves, I have no recollection, but they objected to subscribing to any syndicate without knowing what their liabilities were. But at the same time they were anxious to participate in it, so they would get the opportunity of selling the bonds, and they asked me to find out in some detail, what liability they had incurred if they subscribed for a small share in the syndicate.

Q. Greene and Robertson?—A. Greene and Robertson.

Q. A firm of brokers— —A. Ottawa, yes, my brother is Greene.

Q. Your brother is not green, surely?—A. Well, name only.

Q. Any more than I am white?

Mr. MONTGOMERY: Just as much as you are white.

Mr. WHITE: I got there first. I had a narrow squeak that time.

Then, a letter of July 28, 1928, from the Marquette Investment Corporation, per H. B. Griffith, to you.

DEAR AINSLIE:—I understand that Mr. Brown has sent to you two copies of plans which we filed—

I understand that Mr. Brown is the engineer in Montreal who is in charge of the work?—A. I suppose so, Fred Brown.

Q.—with the Department of Railways and Canals, accompanying our application for part of a dyke owned by that Department. I now enclose copy of the application itself, and wish you would hand this (together with the plans) to the proper person in the Department of Public Works.

You will recall that under their regulations we are required to apply to the Department concerned for any Dominion Government property which we wish to use, and while we are not required to file duplicate of such application with the Department of Public Works, I believe that for their information they would like to have these copies.

Yours truly,

MARQUETTE INVESTMENT CORPORATION,
H. B. GRIFFITH.

I suppose you had filed your plans?—A. Well, I think so. There should be a copy if I did. There is probably a copy in my letter from Mr. White, that was retained. I don't remember.

Q. The next is a letter you wrote to Mr. O'Brien enclosing plans which you had been sent by Mr. Brown. Both letters are dated August 1, 1928.

Mr. JACOBS: Did you say this correspondence is not of much value?

Mr. WHITE: No. That is the reason I am not putting it in. I just marked one or two as I was going through, that I thought ought to be explained. I would be very glad to hand the copy to any member of the committee in case they think there is anything that ought to be referred to in it. There does not appear to be anything else in it, so I shall hand it back to Mr. Greene.

By Mr. White:

Q. Mr. Greene, apart from the \$10,000 that you say you were paid for legal services did you receive any other moneys from the Beauharnois Power Company, the Beauharnois Light, Heat and Power Company, the Beauharnois syndicate, the Marquette Company, or the Marquette Investment corporation, or any other subsidiary of the Beauharnois Power corporation, or any other company connected therewith?—A. Nothing, except, I think, there was \$19 or \$20, telephones and telegrams, or something. I think my bill had that much of a disbursement on it.

Q. Those are all the moneys you or your firm received or handled in any way for that corporation? Is that correct?—A. That is correct.

Mr. WHITE: That is all.

Witness retired.

Mr. WHITE: I have had an opportunity, Mr. Chairman, of reading the two reports, one of Mr. Crane and the other of Mr. Hogg, and so far as I am concerned, I am prepared to, if the committee thinks they ought to have the information that is in these, and it seems to me they ought, I see no reason why they should not be filed—

The CHAIRMAN: I went through them, and I came to the conclusion that there was no reason to exclude them. There is some information in there which may be helpful; but I doubt it though.

Mr. WHITE: The report of Mr. Crane, dated October 8, 1930, will be Exhibit No. 90, and that of Mr. Hogg, dated October 20, followed by letter of October 21, will be Exhibit 91. These are put in at my learned friend's suggestion, and I assume they will make any reference now or bring to the attention of the committee the principal parts of the report to which they wish to refer.

Documents filed and marked Exhibits 90 and 91.

Mr. FORSYTHE: Well, I gathered the impression from remarks made by some members of the committee that they thought it would be advisable to have these reports either wholly or in part.

Mr. WHITE: Mr. Forsythe has a splendid voice.

The CHAIRMAN: Is it really helpful, do you think?

Mr. FORSYTHE: I do not think, myself, that it is necessary to read the reports. I do not think any useful purpose would be served by reading them in detail.

The CHAIRMAN: I have gone through them.

Mr. WHITE: So far as Mr. Crane's report is concerned, the gist of it is all in the last couple of sentences in which he says, under the heading of Reliability of Completed Embankment:—

While there will probably be many slides and subsidences during the construction period, before proper slopes are made and before the materials become seasoned, it can be said that the finished structure will have a very high degree of stability.

The embankment cannot possibly leak. It will not slip if properly made. It will become even stronger with time.

In order that the inside dykes should have time to season, they should be completed during the year 1931, and should be trimmed to the final lines.

That is the gist of his report, and that is speaking, I understand, of the dykes as they are.

Mr. FORSYTHE: The embankments as they are now being constructed, as I read it.

Mr. WHITE: I would just like to call Mr. McLachlan for a moment. I don't know how far the committee stress this matter of construction of the dykes, having regard to the report which will have to be made by the committee, being in the dark as to whether the report would embody any findings or remarks in regard to the sufficiency of those dykes. If it is not in question, or if it is a question between Mr. McLachlan and other engineers, or something of that sort, Mr. McLachlan is here and can explain that.

Mr. MACKENZIE: Do you think this committee is competent to make a finding in regard to that?

Mr. WHITE: I have no idea of limiting the ability of the committee in any way.

Mr. JACOBS: Do you intend to stress that, Mr. White?

Mr. WHITE: Personally I am impressed with the question just asked me by Mr. Mackenzie. Without being called upon, as I say again, to put any

qualification on the extent of the ability of the committee to decide any question, I do not know that it is a part of my duty here to stress any matter of that kind, which is technical, and an engineering problem. I should think probably, that engineering problems would be better, perhaps, in the hands of engineers.

Mr. MACKENZIE: I think so too.

Mr. WHITE: However, I simply put the matter before the committee. Mr. McLachlan is here and if any of the members of the committee express the desire to hear him why he is available.

Mr. JACOBS: We have already heard him on the stand.

Hon. Mr. MACKENZIE: We have had two sides of this question presented to the committee already, Mr. White.

Mr. WHITE: The difficulty about that is that two reports are put in by two engineers, and there may be some things in those reports which, from the engineering standpoint, it would be well to have in this record, because this is going to be a permanent record and might possibly serve as a guide for some future action, either departmental or otherwise in respect to this project.

Hon. Mr. MACKENZIE: We had the pleasure of listening already to Mr. McLachlan for two or three days. If you are going to recall the witnesses we may be here till Christmas time.

Mr. JACOBS: You are aware, of course, that Mr. Hand who represents the department is permanently located on the works as an engineer.

Mr. WHITE: I do not understand, however, that Mr. Hand's position there has anything to do with the plan or plans or specifications to which the work is being done, other than to see that the work is being carried out according to those plans. That is the work of a resident engineer, not to approve of plans but to see that the work is being carried out according to the plans.

Hon. Mr. MACKENZIE: Could Mr. McLachlan possibly elaborate on what he said before.

Mr. WHITE: Again I cannot put a limit on Mr. McLachlan's possibilities. I am not urging it. I am only bringing it to the attention of the committee.

The CHAIRMAN: I would like to recall Mr. Moyer for a moment.

L. CLARE MOYER, recalled.

By the Chairman:

Q. You are already sworn, Mr. Moyer. I may have failed to recall whether you gave evidence with respect to a certain point or not but I would like to ask you this: The first 1,600 part-interests that you subscribed for, if I recollect correctly, you told the committee that the funds that paid for those came from W. B. Sifton to you?—A. Yes, sir. I subscribed for 800 part-interests which became 16 and were fully paid for from money handed to me by W. B. Sifton.

Q. How much money did it take to pay for those?—A. \$30,000.

Q. And, if I recollect correctly, you said the first \$15,000 was given to you in legals?—A. Yes, sir.

Q. And the next \$15,000?—A. The next \$15,000 in a bank draft. The third subscription was a 10 per cent call on the second 1,600 for which I had subscribed. On that I paid 10 per cent, \$16,000, which was also paid by bank draft.

Q. The price had gone up for the second 16?—A. No, it was 10 per cent of 1,600 shares at \$100 a share. Yes, the price had gone up I suppose.

Q. The first 1,600 cost you \$30,000?—A. Yes, sir.

Q. And that paid them in full?—A. Yes, sir.

Q. And the next 1,600?—A. Were \$100 a share. If paid for in full that would have been \$160,000. I paid one-tenth which was \$16,000.

By Mr. Stewart:

Q. You subscribed for 300 shares in the First Syndicate?—A. Yes, sir.

Q. 800 to cost \$30,000?—A. Yes, sir.

Q. That 800 shares came to 1,600 in the Second Syndicate?—A. Yes, sir.

Q. And you had a legal right to subscribe for 1,600 more at \$100 a share?

A. In the Second Syndicate, yes sir.

By the Chairman:

Q. That is as I understand it. Now, I want to clear this up if I can, Mr. Moyer, with you. Were the instructions that Mr. Sifton gave you just prior to his death, instructions in writing?—A. No, sir. Our negotiations and instructions throughout were verbal.

Q. Was W. B. Sifton, so far as you know, the sole and only person interested in those shares?—A. So far as I know, he was.

Q. Then when McDougald took over through the intervention of Ebbs did McDougald pay back the money to Sifton's estate?—A. I do not know that.

Q. That is the point I want to clear up. You do not know anything about that?—A. No, sir.

By Mr. White:

Q. He did not pay you?—A. No, sir.

Hon. Mr. MACKENZIE: Who could give us information on that point, Mr. Chairman?

The CHAIRMAN: That I do not know.

Hon. Mr. MACKENZIE: I agree with you, Mr. Chairman, that we should clear it up.

By the Chairman:

Q. Thank you, Mr. Moyer. You cannot clear that up for us?—A. I cannot, sir.

The CHAIRMAN: Well, that is all, thank you.

Mr. LENNOX: We could get the inventory of his estate from Brockville. I suppose that was his home.

The CHAIRMAN: Have you any further witnesses ready now, Mr. White?

Mr. WHITE: Not at the moment, Mr. Chairman.

The CHAIRMAN: Is Mr. Cameron the engineer here? Mr. Starr, I am advised that the Senate has given permission to the Honourable Dr. McDougald to appear before this committee to give evidence. That being the case, could you enlighten the committee as to when Senator McDougald would appear.

Mr. STARR: I will tell you that in the morning, sir. At the present time I do not know whether he will appear before this committee or not.

The CHAIRMAN: Do I take it that you are not advised as to whether Senator McDougald will take advantage—I do not use the words take advantage in any sinister way—but that he will avail himself of the right which he probably has to refuse to appear, or decline to appear.

Mr. STARR: I cannot say one way or the other at the present time.

The CHAIRMAN: The earliest time you can advise the committee is in the morning.

Mr. STARR: In the morning, yes.

The CHAIRMAN: Have you any further witnesses that you can go on with this afternoon?

Mr. WHITE: No, Mr. Chairman.

Mr. JACOBS: No more Ottawa lawyers.

Mr. STARR: Of course, he has not gone into his own fees before the committee yet. He has had everybody else up.

Mr. WHITE: Mine were settled the first day, Mr. Starr. Were you not here?

Mr. STARR: No, I was not here.

Hon. Mr. MACKENZIE: Mr. White's fee is not affected at all by any political influence.

Mr. LENNOX: And I may tell you he is not getting too much.

The CHAIRMAN: Do you think it possible that Senator McDougald would be here for the morning session?

Mr. STARR: I think it is possible for him to be here for the morning session, but whether he will appear here to give evidence or not I am not prepared to say until I can consult with him.

Mr. WHITE: There is just one matter I would like to bring to the attention of the committee and to clean it up. I think there must be some apprehension somewhere, and that is the telegram received to-day by yourself, Mr. Chairman, from Mr. Noah A. Timmins.

The CHAIRMAN: I think you had better recall Mr. Sweezey.

Mr. WHITE: Yes. Will you step into the box, Mr. Sweezey, for a moment.

R. O. SWEEZEY, recalled.

By Mr. White:

Q.

Referring to evidence of Mr. Sweezey relative to application of Credit General of Canada for 800 shares I had no interest in this application nor have I been at any time interested in Beauharnois in any way.

A. Who is that signed by?

Q. By Noah A. Timmins.—A. I never referred to Noah A. Timmins.

Mr. WHITE: That was my understanding of it, Mr. Chairman.

The WITNESS: No, sir. I referred to Senator Raymond's father-in-law, and I simply inferred that because Mr. Lefebvre was, I understand, Mr. Timmins' secretary, it might be that Mr. Timmins was joint with Senator Raymond.

By Mr. White:

Q. That is, Mr. L. H. Timmins?—A. I was merely speculating on what I supposed.

Q. The point is it was L. H. and not Noah A. Timmins at all?—A. No, sir.

By the Chairman:

Q. You mean the man who was commonly called Henry Timmins in his lifetime?—A. The one that was Senator Raymond's father-in-law.

Mr. JACOBS: He is dead.

The CHAIRMAN: That is what I say, we call him Henry.

The WITNESS: Yes.

By Mr. White:

Q. You did not intend to infer that it was Mr. Noah A. Timmins?—A. Oh, no, absolutely, because I know Mr. Noah A. Timmins and I was not acquainted with the other Mr. Timmins.

Mr. WHITE: I see, well that is my recollection.

Hon. Mr. MACKENZIE: Another mystery cleared up.

Mr. WHITE: I may say also I have been supplied with the Minutes so-called of the Sterling Industrial Corporation. I have not had an opportunity to look through them. They do not appear very formidable.

The CHAIRMAN: Then if there are no other witnesses that we can get on with to-night—

Mr. WHITE: I am afraid I cannot promise anything to-night.

The CHAIRMAN: I think you have done very well to keep moving without any interruptions. We will adjourn now until to-morrow morning at 11 o'clock.

The Committee adjourned at 5.30 p.m., Tuesday, July 14, 1931, to resume on Wednesday, July 15, 1931, at 11 a.m.

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SESSION 1931

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

BEAUHARNOIS POWER PROJECT

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 15

WEDNESDAY, JULY 15, 1931



WITNESSES:

Mr. J. Fenton Argue, M.D., Ottawa, Ont.

Mr. Kenneth McKenzie Cameron, Chief Engineer, Department of Public Works, Ottawa, Ont.

EXHIBITS FILED

No. 92—Minutes of Sterling Industrial Corporation.

No. 41A—Certified copy of emphyteutic lease, June 23, 1928 (40,000 c.f.s.) B.L.H. and P. Co.

No. 93—Certified copy of Quebec Order in Council, April 27, 1928, authorizing emphyteutic lease.

No. 94—Certified copy of agreement, October 18, 1929, between Dominion of Canada and Province of Quebec in pursuance of condition 24 of P.C. 422.

No. 95—Certified copy of Quebec Order in Council, December 4 and 5, 1929, granting water rights to Montreal Cotton Company.

No. 96—Certified copy of Letter, December 17, 1929, from B.L.H. and P. Co. (with Minister's acknowledgment of receipt endorsed thereon) to Minister of Lands and Forests, Quebec.

No. 97—Certified copy of lease, May 7, 1897, Province of Quebec to Montreal Cotton Co. (See also Exhibit No. 44).

No. 98—Certified copy of Quebec Order in Council, April 25 and 27, 1928, authorizing lease to B.L.H. and P. Co.

No. 99—Certified copy of Quebec Public Service Commission, September 17, 1929, approving plans. B.L.H. and P. Co. vs. Canadian Light and Power Co., Beauharnois Electric Co., Bell Telephone Co. of Canada.

No. 100—Certified copy of Quebec Order in Council, October 10 and 11, 1929, approving plans under Water Course Act.

No. 101—Certified copy of Quebec Order in Council, September 18 and 19, 1929, authorizing new lease, B.L.H. and P. Co.

No. 102—Certified copy of emphyteutic lease, October 18, 1929, between Minister of Lands and Forests, Quebec and B.L.H. and P. Co.

No. 103—Certified copy of report of meeting of Quebec Executive Council, April 27, 1928.

No. 104—Certified copies of all documents relative to application of B.L.H. and P. Co. for diversion of 30,000 c.f.s. through Beauharnois Canal, granted by Province of Quebec in 1931, including application and documents or documents of grant.

MINUTES OF PROCEEDINGS

WEDNESDAY, July 15, 1931.

The Special Committee appointed to investigate the Beauharnois Power Project met at 11 a.m. Hon. Mr. Gordon, the Chairman, presided.

Members present: Messrs. Dorion, Fiset (Sir Eugène), Gardiner, Gordon, Jacobs, Jones, Lennox, Mackenzie (*Vancouver Centre*), Stewart (*Lethbridge*).

Mr. White, K.C., of counsel for the Committee, filed,—
Exhibit No. 92—Minutes of Sterling Industrial Corporation.

Hon. Lucien Cannon, K.C., counsel for the Province of Quebec, supplied the following documents, and they were filed by Mr. White, K.C., viz:—

Exhibit No. 41A—Certified copy of emphyteutic lease, June 23, 1928 (40,000 c.f.s.) B.L.H. and P. Co.

Exhibit No. 93—Certified copy of Quebec Order in Council, April 27, 1928, authorizing emphyteutic lease.

Exhibit No. 94—Certified copy of agreement, October 18, 1929, between Dominion of Canada and Province of Quebec in pursuance of condition 24 of P.C. 422.

Exhibit No. 95—Certified copy of Quebec Order in Council, December 4 and 5, 1929, granting water rights to Montreal Cotton Company.

Exhibit No. 96—Certified copy of Letter, December 17, 1929, from B.L.H. and P. Co. (with Minister's acknowledgment of receipt endorsed thereon) to Minister of Lands and Forests, Quebec.

Exhibit No. 97—Certified copy of lease, May 7, 1897, Province of Quebec to Montreal Cotton Co. (See also Exhibit No. 44.)

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Exhibit No. 104—Certified copies of all documents relative to application of B.L.H. and P. Co. for diversion of 30,000 c.f.s. through Beauharnois Canal, granted by Province of Quebec in 1931, including application and document or documents of grant.

At the suggestion of Mr. White, K.C.,

Ordered,—That J. Fenton Argue, M.D., 116 Nepean Street, Ottawa, Ont., be instructed to attend to-day for examination.

Mr. J. Fenton Argue, M.D., was called, sworn and examined.

Mr. Argue retired.

Mr. Kenneth McKenzie Cameron, Chief Engineer, Department of Public Works, Ottawa, Ont., was recalled and further examined.

Mr. Cameron retired.

Mr. J. R. L. Starr, K.C., counsel for Senator McDougald, was asked by the Chairman if Senator McDougald would appear as a witness. Mr. Starr replied that Senator McDougald, on Mr. Starr's advice, would not appear as a witness.

The Committee adjourned at 1.15 p.m., until to-morrow, Thursday, July 16, at 11 a.m.

JOHN T. DUN,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,

WEDNESDAY, July 15, 1931.

The Select Special Committee appointed to investigate the Beauharnois Power Project met at 11 o'clock, Hon. W. A. Gordon presiding.

Appearances:—

Peter White, K.C., Louis Morin, K.C., B. H. L. Symmes, for the Committee.

I. F. Hellmuth, K.C., G. H. Montgomery, K.C., L. A. Forsythe, K.C., for the Beauharnois Company.

J. R. L. Starr, K.C., for Senator McDougald.

Hon. Lucien Cannon, K.C., for the Province of Quebec.

Lucien Moraud, K.C., for the Royal Trust Company.

The CHAIRMAN: Are you ready, Mr. White?

Mr. WHITE: The first thing I want to bring to the attention of the committee will be the Minutes of the Sterling Industrial Corporation, and I would like to file them. They have been handed to me in a loose way, that is, they are not bound nor are they in a book, but just loose sheets.

The CHAIRMAN: That will be exhibit No. 92.

Mr. WHITE: The first meeting was apparently held on the 26th of September, 1924, at which the three incorporators, Honourable Andrew Haydon, John Parson Ebbs and Lyla Brennan were present, and it was reported that the Letters Patent dated the 5th of July had been issued.

Then a meeting of the shareholders on the same day at which these three were elected as directors. And they appear to have been the directors throughout. The by-laws were passed and the Secretary then reported that the sum of \$2,500 had been subscribed and paid for in accordance with the Statute. That was the capital with which the Letters Patent stated that they might commence to carry on business. Although that statement is made I can find no trace in the Minutes, or elsewhere, that more than \$5 was paid up, and that appears later.

Then a banking resolution, and then a meeting of the shareholders who were Honourable Andrew Haydon, J. P. Ebbs, Belle Fraser, Mary Hilda Kelly and Lyla Brennan, all of whom were present. Mr. Ebbs, President; Miss Fraser, Vice-President, and Miss Brennan, Secretary Treasurer.

Then on that date the 26th September, 1924:—

Upon motion of Miss Fraser seconded by Miss Kelly, it was resolved that the action of the directors in authorizing the execution of the agreement between the corporation and His Majesty the King represented by the Department of Railways and Canals, as set out in said Minutes of Directors Meeting be and the same is hereby ratified and approved.

I do not know what that refers to, because I am unaware of any agreement that was made. It may possibly refer to the application that had been made to the Department of Railways and Canals.

Then a meeting of directors on the 27th September, 1924, that important consideration had been given to the filing of an application for rights to develop water power on the Ottawa River at Carillon and that these rights had been assigned to Mr. W. E. McGregor, and inasmuch as there were two applications

pending from the same company and that was undesirable, that the rights be transferred to Mr. W. E. McGregor of Boston, and that a new company be formed to make the Carillon application.

Those are all the Minutes except that a copy of the bank statement appears in the file under date of June 21st, 1927, and showing a credit of \$112.85 and a withdrawal of \$5. I suppose that was for filing the annual return, which left the balance of the company's assets at \$107.85.

By the way, did the Beauharnois Company know that there was that asset?

The annual return was filed for 1927, 1928 and 1929, and as they are practically identical I need only refer to the last one. It shows the date of incorporation, and shows the authorized capital of 500 shares, all common, the total amount of calls received \$2,500 and no contracts; no shares forfeited and none others issued. Everything else is blank except that the names and addresses of the directors which are given in accordance with the Minutes, and that return is made by J. P. Ebbs as President, Lyla Brennan, Secretary. And the affidavit is sworn before H. B. McGiverin, a notary public.

That is the total of the documents which have been handed to me by Mr. Ebbs as the Minutes of this corporation.

Then through the kindness of the Honourable Mr. Cannon, counsel for the province of Quebec, and the courtesy of the Prime Minister, I have been furnished with the documents which were requested, certified copies of certain documents. I think perhaps they might go in now, Mr. Chairman.

The CHAIRMAN: Are you putting the Minutes of the Sterling Company as an Exhibit?

Mr. WHITE: Yes, Mr. Chairman.

The CHAIRMAN: As Exhibit No. what?

Mr. WHITE: Exhibit No. 92.

The first document furnished me is a certified copy of the emphyteutic lease dated the 23rd June, 1928, for 40,000 cubic second feet, to the Beauharnois Light, Heat & Power Company with translation. This is not an official translation but I have no doubt that it is correct. This is in as exhibit 41, I think.

The CHAIRMAN: I think that we had better put it in as a new exhibit, Mr. White, with a memorandum that it is a certified copy.

Mr. WHITE: 41 is the original. Shall we mark this 41A then?

The CHAIRMAN: Probably that is better. Mark it 41A.

Mr. WHITE: 41A is the certified copy of the emphyteutic lease with translation.

Then document No. 2 is a certified copy of the Quebec order in council, dated 27th April, 1928, authorizing the emphyteutic lease, with translation. That will be exhibit No. 93. The important part of it from the standpoint of the committee appears to be a recital of the Honourable the Minister of Lands & Forests dated the 25th April, 1928, and speaking of the economic conditions in Quebec and the desirability of the development of this power from the Provincial standpoint, that is, from an economic standpoint.

Document No. 3 is a copy of the agreement of the 18th October, 1929, between the Dominion and the Province, executed in pursuance of Condition No. 24 of P.C. 422. This is a translation.

The CHAIRMAN: Has that gone in already as an exhibit, a copy of it?

Mr. WHITE: No.

The CHAIRMAN: Then that will be exhibit 94. That is dated when, Mr. White?

Mr. WHITE: Agreement between the Dominion and the Province executed in pursuance of Condition No. 24 of order in council No. 422. The committee

will remember that that condition was that before commencing construction of any part of the approved works the company would secure the execution by the Province of an agreement, and to the satisfaction of the Dominion, respecting the maintenance by the Province of the said works in the event of same becoming the property of the Province in the completed state.

The CHAIRMAN: That is dated?

Mr. WHITE: The date of it is the 18th October, 1929, Mr. Chairman.

Sir EUGENE Fiset: There was an opinion from the Department of Justice on this agreement. That has not been read.

Mr. WHITE: No. I wonder if we can get that. I will endeavour to get that, Sir Eugene.

Then Document No. 4, a certified copy of order in council, Province of Quebec, of the 4th and 5th of December, 1929, granting water power rights of 13,072 cubic feet in respect of water used by Montreal Cottons.

The CHAIRMAN: Is that in already, Mr. White.

Mr. WHITE: No, I think that is not in, sir.

The CHAIRMAN: Then that will be exhibit No.?

Mr. WHITE: That will be exhibit No. 95, Mr. Chairman.

This authorizes the transfer of the utilization of that 13,072 cubic second feet from the site of the Montreal Cotton Company where it is in use to the canal to be built. That is the effect of it.

The CHAIRMAN: That is an order in council, is it?

Mr. WHITE: Yes.

The CHAIRMAN: Of the province of Quebec?

Mr. WHITE: Yes.

Then document No. 5 is the letter of the 17th of December, 1929, from the Beauharnois Light, Heat & Power Co., with the Minister's acknowledgment of receipt endorsed thereon to the Honourable the Minister of Lands and Forests, of the province of Quebec, accepting the grant made by the order in council preceding, and guaranteeing to make the payments and comply with the other terms and conditions therein set forth.

After making reference to the grant it says:—

The undersigned on its part hereby accepts this grant or concession and agrees to make the payments and comply with the other terms and conditions therein set forth.

That will be exhibit No. 96.

Then document No. 6, a letter dated May 7, 1897, from the Province of Quebec to the Montreal Cotton Company in respect to the Bed of Lost Channel of St. Lawrence River below Federal Government Dam at Valleyfield. It is enclosed in a letter written by Mr. P. Lapointe, the Registrar at Beauharnois, dated June 30, 1924, to Mr. Arthur Amos, Director of Hydraulic Service, Department of Lands and Forests, Province of Quebec. It encloses a copy of their entry No. 28985 asked for in a letter dated June 27, 1924, which copy is dated May 7, 1897, and is entitled: "A Sale by the Government of the Province of Quebec to the Montreal Cotton Company."

Sir EUGENE Fiset: Mr. Chairman, may I ask if these three leases to the Montreal Cotton Company are the leases mentioned by Colonel Dubuc yesterday?

Mr. WHITE: Yes. They are covered by three separate orders in council.

EXHIBIT No. 97

Document No. 6, a lease dated May 7, 1897, from the Province of Quebec to the Montreal Cotton Company, *re* Bed of Lost Channel of St. Lawrence River below Federal Government Dam at Valleyfield.

Letter dated Beauharnois, Quebec, June 30, 1924, from Mr. M. Laplante to Mr. Arthur Amos enclosing copy of Bureau Entry No. 28985.

I should have mentioned that the lease of May 7, 1897, is already in as Exhibit No. 44.

Document No. 7 is an order in council, dated April 25, 1928, approved on the 27th April, 1928, authorizing lease of water powers to Beauharnois Light, Heat and Power Company of 40,000 cubic feet second. It is all in French, and there is no translation. This order in council was on a report of a committee of the Executive Council under date 25th April, 1928. It apparently authorizes the use or extraction of 40,000 cubic feet second between Lake St. Francis and Lake St. Louis, so far as the rights of the Province of Quebec extend thereto, and providing that there is a minimum production, and mentions the rentals that were to be paid. It says that the lessee is under duty to instal in his works hydraulic motors capable of producing the following motive forces: (a) at the expiration of the first five years from the execution of this contract, provided that the approval of the plans be obtained, authority is given with a delay of one year, and at the expiration of the first five years from the date of such approval, if it is given, after the present year 100,000 horse power; (b) At the expiration of the sixth year 200,000 horse power; (c) At the expiration of the seventh year, 300,000 horse power; (d) At the expiration of the tenth year, 500,000 horse power. This concession is made with intent that the lessee shall enter into negotiation with the Federal Government with respect to the rights with which they are concerned and obtain permission to withdraw 40,000 cubic second feet. The rent is fixed as follows: (a) During the first five years, \$20,000 payable in advance each year; (b) At the expiration of the fifth year and for the years following, \$50,000, to the expiration of the lease; and in addition to the annual rental mentioned in Article 3 the lessee shall pay \$1 per horse power, the quantity of power being measured by meters and watt meters at the Power House.

EXHIBIT No. 98

Document No. 7, an order in council dated April 25, 1928, approved April 27, 1928, authorizing lease of water powers to Beaucharnois Light, Heat and Power Company, of 40,000 cubic feet second.

Document No. 8 is a certified copy of an Order of Quebec Public Service Commission (Certificate of Convenience and Necessity) dated 17th September, 1929, approving plans under Public Service Commission (R.S.Q., 1925, c. 17 as amended by 16 Geo. V, c. 16.) There is nothing of importance in that, Mr. Chairman, that I know of, except that it says: "The commission hereby approves and permits the construction and operation of the plant and system above mentioned." That is the canal between Lake St. Francis and Lake St. Louis, the hydraulic power plant at the Lake St. Louis end of the canal; a partial diversion of the St. Louis River, and certain control and remedial works at various points in the St. Lawrence River to protect navigation.

EXHIBIT No. 99

Document No. 8, an Order of Quebec Public Service Commission (Certificate of Convenience and Necessity) dated 17th September, 1929, approving plans under Public Service Commission (R.S.Q. 1926, c. 17 as amended by 16 Geo. V, c. 16).

Document No. 9 is an order in council of the 10/11th October, 1929, approving plans under the Water Courses Act (R.S.Q. 1925, c. 46). It concerns the request of the Beauharnois Light, Heat and Power Company relative to certain projected works, with the object of taking out 40,000 cubic feet seconds from the St. Lawrence River, and recites a memorandum or report of the Honourable Minister of Lands and Forests of the 10th October, 1929, and sets out the approval of certain maps and plans therein designated by number and letter. The lease is for seventy-five years from the 23rd June, 1928.

EXHIBIT No. 100

Order in Council of 10/11th October, 1929, approving plans under the Water Courses Act (R.S.Q. 1925, c. 46).

Document No. 10 is an order in council of the 18/19th September, 1929, authorizing a new lease substituting new beach and deep water lots for those described in the lease of the 23rd June, 1928. There is nothing of moment in that document, Mr. Chairman.

EXHIBIT No. 101

Order in Council 18/19th September, 1929, authorizing new lease substituting new beach and deep water lots for those described in lease of 23rd June, 1928.

Document No. 11 is an emphyteutic lease agreement of 18th October, 1929, between the Minister of Lands and Forests of Quebec and the Beauharnois Light, Heat and Power Company, substituting new beach and deep water lots as authorized by order in council preceding. There is some slight difference in the location.

EXHIBIT No. 102

Emphyteutic lease agreement of 15th October, 1929, between the Minister of Lands and Forests of Quebec and the Beauharnois Light, Heat and Power Company, substituting new beach and deep water lots as authorized by Order in Council preceding.

Document No. 12 is a report of a meeting of the Executive Council, dated the 25th April, 1928, and approved by the Lieutenant-Governor on the 27th April, 1928, concerning the development of certain hydraulic power on the St. Lawrence between Lake St. Francis and Lake St. Louis.

Mr. MORIN: That is the original lease.

Mr. WHITE: This is the original report upon which the emphyteutic lease was based.

EXHIBIT No. 103

Document No. 12, a report of a meeting of the Executive Council, dated April 15, 1928, approved by the Lieutenant-Governor on the 27th April, 1928.

Sir EUGENE Fiset: Mr. Chairman, this is the last lease granted by the Province of Quebec on the application of Beauharnois for additional horse power over the 40,000 cubic second feet.

The CHAIRMAN: I think Dr. Argue should come here and testify. That certificate would not be taken in a division court.

Mr. WHITE: No. The document was presented to me by one of the counsel for the Beauharnois Company. It is dated July 15, 1931, and is signed by J. Fenton Argue, M.D., and reads as follows:—

This is to certify that the Honourable Andrew Haydon has been confined to his home since early in February, 1931. He is suffering from a severe form of heart disease, and for the past two weeks has again had to take to his bed. At the present time his condition is such that he is unable to undergo any mental or physical strain.

As you suggest, Mr. Chairman, I think in view of the circumstances and the evidence which we have heard, it would be desirable for Dr. Argue to appear before the committee and make his statement under oath, to this effect.

The CHAIRMAN: Yes. With respect to the request of Mr. Cantin, to give evidence, contained in this letter sent to me, I have discussed it with the members of the committee, and while the committee feel in all likelihood that there is presently on the record all the evidence that Mr. Cantin will give, they think it desirable that no one should feel that this committee is not giving an opportunity to anybody to be heard. The committee therefore suggests, Mr. White, that you arrange an interview with Mr. Cantin as soon as you can, and go over his evidence. If we already have on the record the evidence that he would give, I do not suppose it would be any use in calling him. We have, of course, to rely upon you as counsel to know whether the evidence that he would give would serve a useful purpose, and in a large measure we will be guided by you.

Mr. WHITE: That is flattery, Mr. Chairman. You asked for Mr. Cameron yesterday; he is here now if you desire him.

The CHAIRMAN: I asked for him, but I see in reviewing the notes of evidence, that the question I wanted to ask him is presently on the record, so I do not need to call him.

Mr. WHITE: My learned friend, Mr. Montgomery, spoke to me about a desire on his part to put in certain orders in council, relative to other projects. I assumed the object in view—Mr. Montgomery will correct me if I am wrong—is to establish or to give evidence tending to establish that the practice of the department or of the successive governments, has been to deal with the extraction of water from navigable rivers, under the Navigable Waters Protection Act.

Mr. MACKENZIE: It establishes the departmental practice, I suppose.

Mr. WHITE: May I ask my friend to allow me, if Dr. Argue arrives, to call him?

Mr. MONTGOMERY: I do not know whether Mr. Cameron is here or not. Subsequently to my conversation I handed him that list and asked him to get the orders in council. I assumed, perhaps, he would phone someone else to get them, and bring them, but apparently he has gone for them himself.

Mr. WHITE: Have you not some of them?

Mr. MONTGOMERY: I have an unofficial copy.

Mr. WHITE: I think perhaps, subject to comparison, my friend might put in the copy.

The CHAIRMAN: Copy of what?

Mr. WHITE: My friend will tell you, sir.

Mr. MONTGOMERY: Pending the arrival of Mr. Cameron I wish to tender in evidence Order in Council P.C. 1071, issued on the 12th of May, 1915, authorizing the diversion by the Winnipeg Electric Railway of water from the Winnipeg River in the Pennewah Channsl. That was approved under the Navigable Waters Act as well as under the regulations of the Department of Interior.

Mr. JACOBS: Was that in 1915?

Mr. MONTGOMERY: Yes.

The CHAIRMAN: What is the purpose to be served by this evidence?

Mr. MONTGOMERY: The standing practice of the department and of successive governments has been to approve of the diversion of navigable waters under the Navigable Waters Protection Act—the diversion from navigable rivers of waters for power purposes under the Navigable Waters Protection Act.

Hon. Mr. MACKENZIE: By Order in Council.

The CHAIRMAN: You would argue then, I presume, that by reason of the long standing practice the Governor in Council would be justified in pursuing the same practice in this regard?

Mr. MONTGOMERY: There is no reason why any different practice should have been adopted in this regard. Of course, they have the opinion of the Deputy Minister of Justice as well as to the regularity of it.

The CHAIRMAN: You would not go so far as to say that if the former practice was malpractice it should be persisted in?

Mr. MONTGOMERY: It at least gives a very strong presumption in favour of the method that was adopted—the practice that has prevailed ever since the Navigable Waters Protection Act was enacted.

Mr. JACOBS: You argue that that is the law?

Mr. WHITE: When was the Navigable Waters Act first enacted?

Mr. MONTGOMERY: I do not know. It was in two divisions in the Statute of 1909, and you will observe, in regard to the Navigable Waters Protection Act, that that title only came into the consolidation that was made in one of the revisions of the Statutes; that the particular sections we are dealing with, under what we call the Navigable Waters Protection Act to-day, were not by Statute enacted under that title.

The CHAIRMAN: It does seem to me to be rather a misnomer.

Mr. MONTGOMERY: That is not law. It was purely a consolidation of two acts under one heading, and in one of the sets of the Revised Statutes of 1909, I think it was; and these sections that we are now dealing with were taken from a Statute which did not bear that title and were consolidated with the Navigable Waters Protection Act, which was contained in the sections with which we are not concerned in this particular case, and that part of the Statute bringing the Revised Statutes into force declares that they are not entitled to change the law at all; that it is purely a consolidation. The particular sections we have under discussion were not enacted under the title "Navigable Waters Protection Act." I have forgotten the Act—

Mr. WHITE: Captain MacKenzie has handed me a memorandum which I think would be very valuable in this connection, containing a history of this legislation, and I think, perhaps, if my learned friend will permit me to interrupt him, it might be well at this stage to read it into the record.

The CHAIRMAN: It will, at least, save Mr. Jacobs some time having to look it up.

Mr. JACOBS: Myself and others too.

Mr. WHITE: Sections 54 and 55 and 56 of the Railway Act of 1867 provides that railways crossing navigable waters shall submit plans and proposed site to the Railway Committee and shall conform to such regulations as that Committee imposes. That is 1868. By 39 Vict. (1876) Ch. 15 similar provision was made for the crossing of navigable waters by railway or other road companies incorporated under Provincial Acts. The Consolidated Railway Act (1879) 42 Vict. Ch. 9, ss. 66-7 and 8 contains similar provisions. For the first time by 46 Vict. (1883) Ch. 43 it is provided—Sec. 1. No boom, dam or aboiteau shall be constructed whether under the authority of an act of the legislature of a province. . . .so as to interfere with navigation, unless the site thereof has been approved. . . .in accordance with plans approved by the Governor General in Council. Sec. 7—The word “Boom” includes works necessary and appurtenant thereto; the word “dam” includes the works necessary and appurtenant thereto; and the word “aboiteau” includes dykes and other works of a similar character. By 49 Vict. (1886) Ch. 35—it is provided—Sec. 1—. . .the expression “work” means and includes any bridge, boom, dam, aboiteau, wharf, dock, pier or other structure, and the approaches or other works necessary or appurtenant thereto; and “lawful work” means and includes any “work” not contrary to the law in force at the place of the construction thereof at the time of such construction. Sec. 2 provides that plans be filed with the Minister of Public Works, etc., and application for approval be made to the Governor General in Council.

So, apparently that section, whether under the name of the Navigable Waters Protection Act or other name was in force in practically its present form since 1883.

JOHN ARGUE, M.D., called and sworn.

By Mr. White:

Q. Dr. Argue, you are a regularly qualified physician and surgeon practising in Ottawa?—A. I am, sir.

Q. I understand you are the physician in attendance upon Hon. Andrew Haydon?—A. I am.

Q. There is a certificate signed by you which we have read here this morning dated to-day?—A. Yes sir.

Q. And do you say that the contents of that are true in substance and in fact?—A. I do.

Q. And would you say as to whether the attendance here of Hon. Mr. Haydon to give evidence before this committee is possible at the present time?—A. I do not think that his physical condition is such that he could come here.

The CHAIRMAN: That will do, Doctor, thank you.

Witness discharged.

Mr. MONTGOMERY: Supplementing the memorandum of Mr. Mackenzie, I would like to draw attention—I have this reference to the Revised Statutes—to part one, to refer to the Revised Statutes of Canada 1886. Part one of the Act—the part with which we are here concerned—was Chapter 92 of the Revised Statutes of Canada 1896 and was entitled “An Act Respecting Certain Works in, on or over Navigable Waters.” Part two, Chapter 91 “An Act Respecting the Protection of Navigable Waters.” Now, they were combined as Chapter 115

of the Revised Statutes of 1906 under the present title Act for the protection of navigable waters; but sections 6 and 7 of the enacting Statute 43 provided that the Revised Statutes of Canada, 1906, were not to be held to operate as new law. They were consolidated, in the first place, in the Revised Statutes of 1906 under the one chapter 115, as it was known then. Prior to that time, there had been two Acts in the Revised Statutes of 1886-91 and 92. The part with which we are concerned in the present Navigable Waters Protection Act, prior to that time, was Chapter 92, and was entitled "An Act Respecting Works in or over Navigable Waters." Now, the parts we are not concerned with in the present Navigable Waters Act—that was chapter 91 of the Revised Statutes of 1886—and was entitled "An Act respecting the Protection of Navigable Waters." Now, when they consolidated the Statutes in 1906 they put 91 and 92 together under the title "An Act for the Protection of Navigable Waters," but the Statute bringing into force the revised Statutes of Canada—6 and 7 Edward VII, Chapter 43, provided that nothing in this revision could be construed as in any way changing the law.

The CHAIRMAN: So that part one of the present Act reflects the first Statute; part two the other Statute.

Mr. MONTGOMERY: Yes.

Mr. WHITE: Perhaps it would be completed down to the present time, Mr. Montgomery.

Mr. MONTGOMERY: The 1906 revision is reproduced in the 1920.

Mr. WHITE: Hardly. 9 and 10, Edward VII, Chapter 44, 1910, repeals the 1906 Statute and substitutes for Section 4 this section:—

No bridge, boom, dam, aboiteau, wharf, dock, pier or other structure of any kind, shall be built or placed in or across any navigable water, unless the site thereof has been approved by the Governor in Council, nor unless such bridge, boom, dam, aboiteau, wharf, dock, pier, or other structure is built and maintained in accordance with plans approved by the Governor in Council. The foregoing provisions of this section shall not apply to small wharfs not costing more than \$1,000, or groynes or other bank or beach protection works, or boat houses, which do not interfere with navigation.

Mr. WHITE: And then again:

8-9 Geo. V—Chap. 33 (1918) enacts—Par. (a) of Sec. 2 of the Navigable Waters Protection Act, Chap. 115, R.S., 1906, is repealed and—

Mr. MONTGOMERY: I do not think it changed the whole Act. It was an amendment to it, was it not?

Mr. White:

Par. (a) of Sec. 2 of the Navigable Waters Protection Act Ch. 115, R.S., 1906, is repealed and the following substituted therefor:—

(a) 'work' includes any bridge, boom, dam, aboiteau, wharf, dock, pier or other structure, tunnel or pipe.

The CHAIRMAN: Did the previous legislation incorporate "lawful work" as the present Act interprets it? The present Act, section 2 sub-section (a), that is, the interpretation section, says:—

'lawful work' means any work not contrary to the law in force at the place of the construction thereof at the time of such construction;

Mr. WHITE: That provision was in the 1886 enactment.

Mr. JACOBS: And the change was made in 1918. I understand there was some modification.

Mr. WHITE: Yes:

(a) 'work' includes any bridge, boom, dam, aboiteau, wharf, dock, pier or other structure, tunnel or pipe, or telegraph or power cable or wire and the approaches or other works necessary or appurtenant thereto, or any work, structure or device, whether similar in character to the foregoing or not, which may interfere with navigation.

Mr. JACOBS: It is more explanatory than otherwise; I think.

Mr. WHITE: Well, it enlarged the scope of the Act to include specifically, "tunnel or pipe, or telegraph or power cable or wire and the approaches or other works necessary or appurtenant thereto".

The CHAIRMAN: Is that the first Statute wherein the word "work" was interpreted to mean something?

Mr. WHITE: No, in 1886.

The CHAIRMAN: No, but "lawful work"?

Mr. WHITE: It reads:

The expression "work" means and includes any bridge, boom, dam, aboiteau, wharf, dock, or other structure, and the approaches or other works necessary or appurtenant thereto; and "lawful work" means and includes any "work" not contrary to the law in force at the place of the construction thereof at the time of such construction.

And then work as interpreted in the present Act, just enlarges that.

Mr. JACOBS: There was a decision, I understand, by the courts at that time and it was found necessary to make the change in order to clarify the Statute.

Mr. WHITE: I would assume that to be the case. Some question must have arisen, apparently, in regard to power lines.

The CHAIRMAN: Have you got any suggestion to make as to why lawful work should be interpreted? It appears in section 3.

Hon. Mr. MACKENZIE: Yes, section 3.

Mr. WHITE: I do not think it helps us much.

Mr. JACOBS: We are getting into deep water.

Mr. WHITE: Into the 27 foot channel. Then section 4 of The Navigable Waters Protection Act, as enacted by Chapter 44 (1910) is repealed and the following substituted therefor:—

4. (1) No work shall be built or placed, upon, over, through or across any navigable water unless the site thereof has been approved by the Governor in Council, nor unless such work is built, placed and maintained in accordance with plans and regulations approved or made by the Governor in Council.

The effect of that section I take to be, from a cursory glance, Mr. Chairman, to incorporate into this section the word "work" according to the definition which has been given in the Act.

I should think perhaps it would be well if this whole memorandum were incorporated in the notes of evidence just as it is, if Mr. Mackenzie will allow the reporter to have it:—

SS. 54-5 and 6 of the Railway Act of 1868 provides that Railways crossing navigable waters shall submit plans and proposed site to the Railway Committee and shall conform to such regulations as that Committee imposes.

By 39 Vict. (1876) Ch. 15 similar provision was made for the crossing of navigable waters by Railway or other Road Companies incorporated under Provincial Acts.

The Consolidated Railway Act (1879) 42 Vict. Ch. 9, ss. 66-7 and 8 contains similar provisions.

For the first time by 46 Vict. (1883) Ch. 43 it is provided—

Sec. 1—No boom, dam or aboiteau shall be constructed whether under the authority of an act of the legislature of a province. . . .so as to interfere with navigation, unless the site thereof has been approvedin accordance with plans approved by the Governor General in Council.

Sec. 7—The word “Boom” includes works necessary and appurtenant thereto; the word “dam” includes the works necessary and appurtenant thereto; and the word “aboiteau” includes dykes and other works of a similar character.

By 49 Vict. (1886) Ch. 35—it is provided—

Sec. 1:the expression “work” means and includes any bridge, boom, dam, aboiteau, wharf, dock, pier or other structure, and the approaches or other works necessary or appurtenant thereto; and “lawful work” means and includes any “work” not contrary to the law in force at the place of the construction thereof at the time of such construction.

Sec. 2 provides that plans be filed with the Minister of Public Works, etc., and application for approval be made to the Governor General in Council. Navigable Waters Protection Act—R.S. (1906) Ch. 115, defines—

Sec. 2 (a) “work” includes any bridge, boom, dam, aboiteau, wharf, dock, pier or other structure, and the approaches or other works necessary or appurtenant thereto:

Sec. 2 (b) “lawful work” means any work not contrary to the law in force at the place of the construction thereof at the time of such construction.

9-10 Ed. VII—Chap. 44. . . (1910) enacts —

Secs. 4. . . of the Navigable Waters Protection Act, Ch. 115, R.S., 1906, are repealed and the following substituted therefor:

4. No bridge, boom, dam, aboiteau, wharf, dock, pier or other structure of any kind, shall be built or placed in or across any navigable water, unless the site thereof has been approved by the Governor in Council, nor unless such bridge, boom, dam, aboiteau, wharf, dock, pier, or other structure is built and maintained in accordance with plans approved by the Governor in Council. The foregoing provisions of this section shall not apply to small wharfs not costing more than \$1,000, or groynes or other bank or beach protection works, or boat houses, which do not interfere with navigation.

8-9 Geo. V—Chap. 33. . . (1918) enacts—

Par. (a) of Sec. 2 of the Navigable Waters Protection Act, Ch. 115, R.S., 1906, is repealed and the following substituted therefor:

(a) (work) includes any bridge, boom, dam, aboiteau, wharf, dock, pier or other structure, tunnel or pipe or telegraph or power cable or wire and the approaches or other works necessary or appurtenant thereto, or any work, structure or device, whether similar in character to the foregoing or not, which may interfere with navigation.

Secs. 4. . . of the Navigable Waters Protection Act as enacted by Ch. 44 (1910) are repealed and the following substituted therefor:

4. (1) No work shall be built or placed in, upon, over, through or across any navigable water unless the site thereof has been approved by the Governor in Council, nor unless such work is built, placed and maintained in accordance with plans and regulations approved or made by the Governor in Council.

The CHAIRMAN: Just before you pass on, will you please look at section 5, subsection 2. What do you say the word "works" means?

Mr. WHITE: I should think it is just a bit of faulty drafting, Mr. Chairman, and intends to mean the same kind of works.

Hon. Mr. MACKENZIE: "Work" means works, Mr. Chairman.

The CHAIRMAN: No, but the word "work" is interpreted and therefore in the statute, if the drafting is proper, "work" should be used as "work" only.

Mr. WHITE: That, I think, is just intended to mean the plural of the work as defined in that section.

The CHAIRMAN: We have just got to speculate to that extent, that is, just as to what it does mean.

Mr. JACOBS: I fancy that the date here, the 1st day of June, 1918, refers to the decision rendered by the courts at that time.

Mr. WHITE: Or to the date of the passing of the Act, or the assent of the Governor in Council to the Act in 1918.

Mr. JACOBS: It does not say when that Act shall come into force.

Mr. MONTGOMERY: You want to get my point, and that is, that the Revised Statutes, following the history of this thing, what is now part 1 of the Act with which we are concerned was Chapter 92 and did not bear a title at all, an Act respecting the protection of Navigable Waters. The Act was a second Act, Chapter 92, and that the Act respecting the protection of Navigable Waters was Chapter 91 of the Revised Statutes of 1886 and includes what is now Part 2 of the present Act.

Mr. WHITE: I assume, Mr. Chairman, that we are concerned principally and probably only with the state of the law as it was at the time of the passing of order in council 422, the only object of studying the history of the legislation being to help in regard to its interpretation, if such help is necessary.

The CHAIRMAN: Has Doctor Argue gone?

Mr. WHITE: Yes.

The CHAIRMAN: I want to inquire as to whether or not Senator Haydon could be examined at his home without imperilling his health.

Mr. WHITE: Will you permit Mr. Symmes to call him and ask him by telephone?

Mr. CHAIRMAN: Yes.

Mr. WHITE: Will you do that, Mr. Symmes?

Mr. SYMMES: Yes.

Mr. MONTGOMERY: I observe Mr. Cameron is in the room now.

KENNETH M. CAMERON, recalled.

By Mr. Montgomery:

Q. Mr. Cameron, I have asked you to look up and exhibit the several orders in council which appear by reference to page 299 of the evidence?—A. I have left on the Clerk's table, sir, a number of departmental files which contain most of the orders in council.

On file, departmental number 7876-1, there is the order in council of the 28th February, 1919, approving of the Queenston-Chippewa Power Canal at Niagara Falls.

The Dominion Power and Transmission work near St. Catharines referred to was not approved by the Department of Public Works since it was water diverted through the Welland Ship Canal, or Welland Canal, but would be governed direct by the Department of Railways and Canals.

Q. I think you explained to us the other day that that did cover a diversion of waters from the Niagara River which was a navigable river, by means of backing up a section of the Welland River and then taking the waters through a canal down to Queenston?—A. Yes. It reverses the flow of the Welland River and takes the water out of the Niagara River by way of the Welland River and through the artificial canal.

Q. Could you have a copy prepared of the order in council and file it as an exhibit?

The CHAIRMAN: Mr. Montgomery, I am reluctant to interrupt you, but does this evidence help us? Let us take it for granted, for the moment, that this practice has been pursued on other so-called navigable streams. If this committee were called upon, or had the power to make any binding declaration, we are irresistably forced to turn to the Statute and see what rights, in fact, the Governor in Council had, or what rights in law he had, because the Department in the past may have pursued a course that was not legal. I do not need to argue with you that the persistence in that practice would not have the slightest effect on the legality of any further act of the Governor in Council along similar lines.

Hon. Mr. MACKENZIE: I do not agree with you at all, Mr. Chairman, in that.

Mr. JACOBS: I cannot agree with the Chairman on this matter. A legal question of this kind has to be submitted to the Department of Justice, and we have to obtain from the Department of Justice what the law is. Although some of us are lawyers and others are members of the Bar, some of us are not. How can we, as a committee, decide what is and what is not the law?

Mr. LENNOX: Are we going to decide it because there has been precedent?

Mr. JACOBS: Not necessarily.

Hon. Mr. MACKENZIE: I think if we are going to discuss the legality we should consult the Deputy Minister of Justice or the proper officer.

Mr. JACOBS: He is the dispenser of legal advice to every department and to every Government.

Mr. LENNOX: The Minister of Justice or the Deputy Minister of Justice, no matter what his opinion might be, would not affect either Mr. Mackenzie, or Mr. Jacobs, or myself or the Chairman.

Hon. Mr. MACKENZIE: My point is that any government of the day, no matter what government it is, is bound to accept the legal opinion of the Deputy Minister of Justice.

Mr. JACOBS: Not the Minister but the Deputy Minister of Justice.

The CHAIRMAN: You do not suggest, Mr. Jacobs, that any opinion which the Deputy Minister may give is not capable of being challenged by a proper and competent tribunal.

Mr. JACOBS: Are we that tribunal?

The CHAIRMAN: We are not. That is the reason I say that this evidence is innocuous.

Sir EUGENE Fiset: As an ordinary layman, I would like to understand from Mr. Montgomery if in connection with all of the orders in council, and the

cases that he has mentioned here in this committee, the opinion of the Department of Justice has been obtained before any decision was made or any powers whatever granted by those orders in council.

Mr. MONTGOMERY: I assume so from the evidence given by Mr. Hunter.

The WITNESS: It was the invariable practice of the department to submit all such matters to the Department of Justice before submitting them to the Governor in Council.

Hon. Mr. MACKENZIE: I am inclined to agree that all this evidence you are bringing in is of no material value to the committee at all.

Mr. MONTGOMERY: I am at the disposal of the committee.

The CHAIRMAN: It is not our desire to exclude it if it is useful.

Mr. WHITE: Of course, in all of the files which I have been able to read, and in any of the opinions which have been given by the Department of Justice, it does not seem to me that the flat question has ever been submitted to the Department as to whether under the Navigable Waters Protection Act the Governor in Council has power to authorize the diversion of waters from a navigable stream.

Mr. HELLMUTH: Mr. Chairman, there is another angle to this evidence which I would suggest, that is, if on any given question there is some doubt, and for a long series of years a certain interpretation has been put upon an Act and that has been followed, that certainly has been held as a fair argument to say that that is the correct interpretation. It has been so held in the courts in England, that where people have acted upon what might have been an originally doubtful construction that the construction that had been placed upon it by those people—not only in Acts but in contracts—is the construction that should be put upon it by the courts when it comes before them. And here we have had this Act in force for a great number of years, followed by a consistent course of conduct, a course of conduct that has been suggested by the Minister of Justice or the Deputy Minister of Justice as legal, and where that has been done it is, I submit to this committee, some reason for saying that one should accept that as the proper construction.

Mr. LENNOX: Do you argue that without knowing what the circumstances were in this particular case?

Mr. HELLMUTH: No; but my friend, Mr. Montgomery, can furnish the Committee with cases, in which there had been a diversion of water authorized or permitted by order in council, analagous to this particular case. Surely there is something to be said about the way in which the law has been interrupted for a number of years. I think I could give you very conclusive authority upon that point.

The CHAIRMAN: With respect to the English line of cases to which you make reference, am I not correct in thinking that when what is called a practice, either under the statute or under contract, has been pursued for a considerable time and is ultimately challenged in the courts or before a competent tribunal—I offer this thought to you with a great deal of hesitation because I know that you have been through these cases and know the law much better than I do—the argument you have advanced was advanced in such cases purely in equity?

Mr. HELLMUTH: I was thinking of two cases in one of which a contract had been made in regard to the taking of coal, and it was exceedingly doubtful whether under that contract the construction that had been placed upon it for sixty years was the correct construction; both parties had for sixty years acted on that construction in regard to the removal of coal.

Mr. WHITE: Is not that the doctrine of estoppel?

Mr. HELLMUTH: No, not at all. In that particular case it was held that it was only reasonable to construe that document according to the construction that the parties to it had placed upon it during that time.

The CHAIRMAN: Would not that be the doctrine of estoppel?

Mr. HELLMUTH: It was not put in that way.

Hon. Mr. MACKENZIE: Another question arises as to whether estoppel can be urged against the Crown.

Mr. WHITE: No, it cannot.

Mr. MONTGOMERY: No.

Mr. HELLMUTH: The other case went to the Privy Council. The Supreme Court of Canada had reversed the judgment of the trial judge and the Ontario Court of Appeal in regard to the meaning of a policy of insurance with reference to the storage of gasoline or something like that. The Supreme Court held that notwithstanding that for twenty-five or thirty years that section of the policy had always been so construed in Ontario it was apparently plain that if you ascertained the literal construction, the Ontario Courts were wrong. When it went to the Judicial Committee of the Privy Council they held that where that construction had been observed by the courts of Ontario for a number of years upon an article or section of the policy they were not going to disturb it and leave the public at large with a different view of the law from which had prevailed for twenty-five or thirty years.

Mr. LENNOX: Does that apply here?

Mr. HELLMUTH: Yes.

Mr. LENNOX: I think there is a very great distinction. In the case you have mentioned they had a contract and they were relying upon an interpretation that had been assigned to it for years and years.

The CHAIRMAN: By the courts?

Mr. LENNOX: Yes. Here we have a different condition entirely. As I understand it, Mr. Montgomery was endeavouring to show, in connection with different navigable waters, that the procedure was so and so, whatever it may be. Surely that does not apply to the case you have cited, Mr. Hellmuth, because the case you have cited is one that was established by the courts and was recognized by the public and by the lawyers as being within the law, and it would have been absolutely unfair to place a different interpretation upon it; but in each of these cases the condition must of necessity have been different.

Mr. HELLMUTH: I would put it this way, if I may with deference, that if for a number of years a series of orders in council have authorized the diversion of water and a person or corporation comes forward to-day and asks for a diversion of water which he recognizes has been previously authorized by the Department or the Governor in Council, he is following the ordinary course, and then he gets the additional protection of the opinion of the Minister of Justice that this is a proper course for the Governor in Council to pursue. Surely he is in a position then, when he enters into contract with the Federal authorities, to carry that out? He surely has been led to place reliance upon the course that has been followed for years and which has been endorsed by the Minister of Justice? I submit that in ordinary justice between the parties neither could repudiate an agreement that was entered into under those circumstances.

Mr. LENNOX: What about a third party?

Hon. Mr. MACKENZIE: Who is the third party?

Mr. LENNOX: We are.

Hon. Mr. MACKENZIE: "We"?

Mr. LENNOX: I mean the Government.

Mr. HELLMUTH: The Government was one of the parties to this agreement through the Governor in Council. I did not mean to argue it in this way, gentlemen, but it is only fair to point out that the agreement here is based by both parties upon the legal opinion of the one person to whom they would be entitled to apply. I could furnish this committee with the opinion of leading counsel that that is within the authority of the Governor in Council. I shall be very glad to do so.

Mr. LENNOX: I agree with you generally that that is correct.

Mr. HELLMUTH: Perhaps I am taking up more time than I should.

Mr. MONTGOMERY: In supplementing what my friend, Mr. Hellmuth, has said I would like to state that there are decisions to which I could refer to the effect that when interpreting an amending statute consideration should be given to the existing jurisprudence or law at the time the statute was passed.

As regards the circumstances to which Colonel Lennox has referred, I would suggest, for the convenience of the committee, that the remaining pages of that memorandum be spread upon the record, because they furnish the circumstances of each one of these cases, and the extent of the diversion from the navigable waters. On page 299 you have the names of the several diversions, and the memorandum furnishes a little summary of what was done in each case, what the circumstances were and the extent of the diversion, which ranges from half a mile to five miles, diversion out of the navigable stream and the return of the water half a mile to five miles below.

The CHAIRMAN: We will have to get the copy of the letter written by the Deputy Minister of Justice in that regard and the letters written in connection with all the other ones.

Q. Can you get those?—A. Yes.

Mr. MONTGOMERY: Mr. Chairman, would you order that the remaining pages of that memorandum be spread upon the record?

The CHAIRMAN: Yes.

Q. Consider the Ontario Hydro on the Nipigon River. Would you pass an order in council in connection with that?—A. Yes; at Cameron Falls.

Q. Who declared the Nipigon River a navigable stream?—A. The Department held that it was a navigable stream.

Q. Who in the Department?—A. They usually asked the Engineering Branch if it was a navigable stream.

Mr. WHITE: In all these matters the question as to whether or not a stream is navigable within the meaning of the British North America Act so as to create jurisdiction within the Dominion is a question of fact.

Mr. JACOBS: Yes; it is a matter of the interpretation of what is a navigable stream.

The CHAIRMAN: Who is set up to determine and declare what is navigable and what is not?

Mr. LENNOX: That is the reason I took exception to Mr. Hellmuth's argument. We have had no evidence as to whether these orders in council referred to navigable streams or not.

Mr. MONTGOMERY: They were all deemed to be navigable streams by the parties at the time, and that is why they applied.

The CHAIRMAN: Deemed by whom?

Mr. MONTGOMERY: I suppose the parties deemed the application to be necessary or they would not have applied. They obtained permission under the Navigable Waters Act.

The CHAIRMAN: Of what possible value would the opinion be of an individual who was not clothed with authority to declare whether or not a stream was navigable?

Mr. MONTGOMERY: You can depend upon it that they did not apply for approval under the Navigable Waters Act, and that the Department did not grant such approval, unless they thought they were navigable waters.

Mr. LENNOX: I do not agree with you. They might take that precaution. They might apply to the Government and the Government might say: "That is not a navigable stream. Go ahead."

Mr. MONTGOMERY: That does not apply to the Nipigon River. You will find that in most of these cases there is no question about the navigability of the waters. Cedars Rapid, for instance, is the River St. Lawrence, and the presumption is that the rivers are navigable, otherwise the application would not be made. Of course, a river can be navigable in parts and not navigable in other parts. The Gatineau is held to be unnavigable at Coteau Falls and to be the property of the riparian owners, and at a lower stretch in the river, and at its mouth, the Gatineau is held to be navigable by the Supreme Court.

The CHAIRMAN: Does the decision of the Judicial Committee affect the whole of Canada?

Mr. MONTGOMERY: I think so.

Mr. MONTGOMERY: In the case of McLaren and the Attorney General and the King, it was held that that section of the Gatineau was not navigable, and it was declared to be the property of the riparian proprietors, as against the province of Quebec. Then, later on, the Supreme Court of Canada in the case of Lemieux and the King, held that a lower stretch of the same river was navigable.

Sir EUGÈNE Fiset: Would it be advisable to ask Mr. Cameron if there exists in the Department of Public Works a classification of navigable streams?

The WITNESS: No; each application is dealt with as it comes up.

Sir EUGÈNE Fiset: You have no general classification of navigable streams in Canada?

The WITNESS: Do you mean to say, a classification that this stream is navigable and this one is not?

Sir EUGÈNE Fiset: Yes.

The WITNESS: No, sir.

Mr. WHITE: The fact that a person made an application under the Navigable Waters Protection Act—the question as to the navigability of the stream and any admission thereon would only be binding on the particular party who made the application.

Mr. MONTGOMERY: Well, I think we can go on this presumption, if the rivers were not navigable, approval would not have been applied for in that connection.

The CHAIRMAN: I think I would rather put it on the other ground that the operations in all these cases contemplated the expenditure of large sums of money, and the parties interested engaged careful and competent legal talent and they were taking no chances.

Mr. MONTGOMERY: I do not know, Mr. Chairman. This river appears to be what we are discussing; and the procedure that was adopted under the Navigable Waters Act was upon the assumption that the waters were navigable, whether they were or not.

Mr. MACKENZIE: You are trying to elicit the procedure in rivers that were assumed to be navigable.

Mr. MONTGOMERY: Exactly.

The CHAIRMAN: Can some counsel enlighten me on this; was the act respecting the protection of navigable waters, chapter 140, to which we are referring, passed by the parliament of Canada by reason of the authority that the parliament of Canada has under the British North America Act, section 91, regarding navigation and shipping.

Mr. MONTGOMERY: No doubt.

The CHAIRMAN: Can you enlighten me on this: When the parliament of Canada, acting within the scope of its authority under the B.N.A. Act, passes an act such as the Navigable Waters Protection Act, and delegates authority to the Governor in Council, is it the law of the land that the act must be read strictly?

Mr. MONTGOMERY: I do not think it should be, any more than any other law. The parliament exercised its powers through the Governor in Council as an administrative body. One can see the same thing in the Public Works Act or any administrative act by which the parliament exercises and administers the powers it passes.

Mr. LENNOX: I suppose we cannot read into the statute something it does not contain?

Mr. MONTGOMERY: No.

Mr. LENNOX: It is very often done.

Mr. WHITE: You will have to regard this, then—

Mr. MONTGOMERY: Except that the interpretative sections of the revised statute, as you will remember, Col. Lennox, provides that the act shall be given such large and fair construction as will best attain the purposes sought to be achieved.

Mr. JACOBS: In other words, it has to be interpreted with intelligence.

Mr. MONTGOMERY: Yes, and in a way to get the spirit of the legislation.

Mr. WHITE: It seems to me, Mr. Chairman, to construe an Act of Parliament by which the rights of parliament are delegated or reinvested in the Crown—those are to be guarded with extreme jealousy.

Mr. MONTGOMERY: I would suggest there was no delegation. When different departments are set up and appointed to take charge of certain branches of the Dominion work, that is not a delegation of parliament.

Mr. WHITE: That is not what has been done, Mr. Montgomery.

The CHAIRMAN: Am I not correct in this; that this act by section 4 and section 7 clothes the Crown, the Governor in Council, with the authority and at the same time while the legislation still exists, divests the Parliament of Canada to the same extent as it invests the Governor in Council.

Mr. MONTGOMERY: It does not divest the parliament of Canada of anything.

Mr. MACKENZIE: They have power to annul it.

The CHAIRMAN: While it is in force. It is quite true they have the power to annul it.

Mr. JACOBS: They may have concurrent jurisdiction. Mr. Montgomery, pardon me, this matter came before the parliament of Canada, and there was a full debate upon it in the session of 1928 when the order in council was passed, and it was placed on the table of parliament and fully discussed, and the intention of the government, or the intention of parliament in connection thereto was fully discussed. I think I will have the debates here this afternoon.

Mr. MONTGOMERY: With regard to the suggestion of delegation or sub-delegation of powers, some of these orders in councils, insofar as practice serves to interpret the law, do contain similar delegations to those that are contained

in this case, whereby work is delegated to the Minister of Public Works to make such orders, and so on, as he may deem necessary. The Cedars Rapids is an example.

The CHAIRMAN: I do not know that we are going to be concerned with this at all, which is at present under review, but I want to get Mr. Hellmuth's opinion of this point, and I wanted to get Mr. Montgomery's, because it may save me some money in the future.

Mr. JACOBS: How is it going to save you money?

The CHAIRMAN: It will save me counsel fee. Mr. Starr, referring again to my request of yesterday, will your client, Senator McDougald appear before the committee?

Mr. STARR: No, sir. Senator McDougald, on my advice, has decided not to attend the present committee of parliament, and the following are the reasons:

1. No proof has been made of any of the matters that he has been charged with and therefore there is nothing before this committee that he can be called upon to controvert.

2. In Mr. Gardiner's speech of May 19, 1931, delivered in the House of Commons, he stated "that the people of Canada to-day are asking if that statement made by Senator McDougald is true. If it is not true, then Senator McDougald deliberately deceived the Senate and the people of Canada". The statement referred to by Mr. Gardiner as having been made was as follows: "I want to say here and say it with emphasis, that I do not own a dollar's worth of stock in this enterprise, and have no interest in or association with that company in any way, shape or form." The company referred to was the Beauharnois Light, Heat and Power Company.

3. An attempt has been made to prove that this statement was untrue by adducing evidence to the effect that Senator McDougald at the time of his making that statement was interested in the Sterling Company, a company incorporated to study the possibilities of power development in the Soulanges section of the St. Lawrence river and develop such power. Senator McDougald's statement was to the effect that he was not interested in the Beauharnois Light, Heat and Power Company, which is an entirely different matter from the development of power in the Soulanges section of the St. Lawrence river.

4. Further, after the application had been made to the Department for the diversion of waters in 1924, the matter was left dormant and when Senator McDougald was asked by Mr. Henry to proceed further with the matter, he was told by Senator McDougald that in view of the latter's appointment to the National Advisory Committee he would not pursue his interest further at this time, and it was not until the late summer of 1928 that any deal was made by the Beauharnois Company for the purchase of the Sterling Company's assets under the terms of which Senator McDougald acquired interests in the Beauharnois Company. This, many months after his declaration in the Senate April 19, 1928.

5. As regards Senator McDougald's connection with the Beauharnois Company as a result of his acquisition in the name of J. P. Ebbs, of the interests of the late W. B. Sifton, this was not made until after his speech in the Senate, April 19, 1928 and equally cannot militate against the truth of his statement.

6. Evidence has been made in connection with the sale of the assets of the Sterling Company with the apparent purpose of showing that

Senator McDougald made undue profits in the matter to the detriment of the Beauharnois Company. Mr. Sweezy, on behalf of the Beauharnois Company, was the buyer and agreed to the price suggested by Mr. Henry for reasons which he considered good and sufficient and as a matter of fact Mr. Sweezy showed good judgment in purchasing such assets as he thereby acquired for his company (1) Mr. Henry's technical engineering knowledge and experience; (2) Senator McDougald's assistance as a person able to furnish capital when required and (3) particularly the removal of the obstacle that stood in the path of the Company by reason of the prior application of the Sterling Company for the diversion of waters, etc., which prior rights, had same been acquired by other inimical interests might have prevented his company from proceeding in the carrying out of his plans.

7. Anything in connection with the above does not reflect on Senator McDougald and for this reason I have advised him that there is nothing he is called upon to controvert. Senator McDougald invested large sums of money in the enterprise, and is one of the few who still holds all the shares he acquired in the company.

8. Senator McDougald's second reason for declining to appear before this committee is that one of his judges is both his accuser and judge which is contrary to the elementary principles of the administration of justice and he is satisfied that public opinion will support his refusal to appear before his accuser who is also sitting in judgment in the matter.

9. Senator McDougald's third reason for declining to appear before the committee is that neither this committee nor the House of Commons by which it was constituted, has any power or authority to investigate the conduct of a member of the Senate of Canada.

Mr. LENNOX: Have you advised that?

Mr. STARR: Yes.

Mr. LENNOX: Are you right? Because I find that the moment the Senate gives permission he becomes an ordinary witness.

Mr. STARR: I have to disagree with you. I won't argue it.

Senator McDougald authorizes me to make the following statement; that at the end of May, 1928, W. B. Sifton came to Senator McDougald and urged him to purchase his interest in the Beauharnois Syndicate held in the name of L. Clare Moyer, giving as his reason, ill-health and the fear that he couldn't carry on his activities in the Beauharnois Company much longer. He asked Senator McDougald to buy out his whole interests in the Syndicate held by Moyer offering the same at the price he had paid for them. The Senator accepted the offer and refunded to Mr. Sifton the amount he had invested in the Syndicate.

The CHAIRMAN: Then, Mr. Starr, your client, Senator McDougald, I assume is availing himself of—I think it is—Senate Rule No. 94 which sets out, first, the practice to be pursued when a Senator's presence is deemed advisable before such a committee as this, and also sets out the right of the Senator when the Senate has given him permission to appear,—the right of the Senator to refuse to attend and give evidence.

Mr. STARR: I have so advised him that he need not give evidence.

The CHAIRMAN: Well, I may say—and I would like the committee to adjourn so that I can have an opportunity to think this matter over—and I just offer

this as a suggestion—that if this committee—because Parliament may prorogue any time—is not cloaked with authority to procure this evidence then, and I am only speaking for myself, I will submit to the earliest consideration of the committee, that a Royal Commission may procure what this committee may not be able to procure. I leave that with you, Mr. Starr. We may have occasion to see your client further. And if the committee would indulge with me a little, I have some very pressing work to do this afternoon. The evidence is obviously drawing to a close, and if you can indulge with me to adjourning till to-morrow, I will be very grateful.

Hon. Mr. MACKENZIE: When do you expect to conclude, Mr. Chairman?

The CHAIRMAN: I think a day will conclude the evidence.

Hon. Mr. MACKENZIE: I have to be away by Saturday and I want to make my plans accordingly.

The CHAIRMAN: The committee may feel that they can get on without me being here, I do not think I am indispensable by any means, although I would not like to miss a session of the committee because of losing the continuity of things, to some extent.

Mr. STEWART: May I ask, Mr. White, if you are going to carry out the suggestion made by Colonel Lennox yesterday, that we get the information from the executors of the late Mr. Sifton, or from the will, or from the court.

Mr. WHITE: I was just going to speak about that, General Stewart, that is, whether the committee would consider that the executors, or one of the executors at least, of Mr. Sifton's estate be asked to appear and give evidence as to whether any payment was made for those shares. There is the statement now before the committee, for what it is worth, covered in the sense by a statement of counsel as to what took place, and that the acquisition was by purchase.

Mr. LENNOX: I was more interested in finding out whether it was part of his estate.

Mr. WHITE: Well, that is not as I understand it, that is, the substance of the statement which my learned friend Mr. Starr has made. I understand that the effect of that statement is that before Mr. Sifton's death he had sold and received a consideration for these shares.

Hon. Mr. MACKENZIE: We cannot accept that statement as evidence.

Mr. WHITE: I was going to say that it is very objectionable to take advantage of the rule which prevents the attendance, or which permits a Senator to refuse to attend here and at the same time attempt to give evidence which is not under oath. I do not know exactly how soon I can have the evidence. I could perhaps despatch someone from here to Brockville this afternoon, or to-morrow, and have someone search the files there to see who the executor is, if probate has been granted of any will or letter of administration in the county of Leeds, and then have that person interviewed and ordered to produce Mr. Sifton's books to see whether there is any credit in respect to this transaction, or whether any money actually was paid.

Mr. JACOBS: You could telephone first, Mr. White.

Mr. WHITE: I do not know who to telephone to, that is the trouble. Perhaps I could telephone some Brockville lawyer to go and make a search.

The CHAIRMAN: I think it is better to telephone some lawyer in Brockville to go and look up the schedule. Possibly he can tell you within an hour or so.

Mr. WHITE: I shall do that immediately, sir. Mr. Symmes will make a statement in regard to his telephone message to Doctor Argue.

Mr. SYMMES: I telephoned to Doctor Argue, Mr. Chairman, and told him that it was your wish to ascertain whether, in his opinion, Senator Haydon was fit to be examined at his home. He advised me substantially as follows: I do not think so. I tried to state that in my certificate. He should have no physical or mental strain either at home or anywhere else.

The CHAIRMAN: Then we will adjourn until to-morrow morning at 11 o'clock.

The Committee adjourned at 1.15 p.m., Wednesday, July 15, 1931, to resume on Thursday, July 16, 1931, at 11 a.m.

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Special Cttee on (Power)*

SESSION 1931

HOUSE OF COMMONS

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SPECIAL COMMITTEE



ON

BEAUHARNOIS POWER PROJECT

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 16

THURSDAY, JULY 16, 1931

WITNESSES:

Mr. Hugh B. Griffith, Secretary Treasurer, Beauharnois Power Corporation, Limited.

Mr. Narcisse M. Cantin, of Montreal, Que.

Mr. R. O. Swezey, President, Beauharnois Power Corporation, Limited.

Mr. Frank P. Jones, Canada Cement Building, Phillips Square, Montreal, Que.

Hon. Senator Donat Raymond, The Senate, Ottawa, Ont.

Mr. Robert Dodd, of Robert Dodd and Company, Investment Brokers, Royal Bank Building, Montreal, Que.

EXHIBITS FILED

No. 105—Certified copy of affidavit leading to granting of probate of will of Mr. Clifford W. B. Sifton, with schedule of assets.

No. 106—Letter, July 10, 1931, from Mr. Francis King, Dominion Marine Association, to Hon. W. A. Gordon, Chairman of the Committee.

No. 107—Copy of telegraphed letter, July 15, 1931, from Mr. Victor Cloutier, Chief Clerk of Committees, H. of C. to Hon. Senator W. L. McDougald, inviting him to attend the Committee to give evidence on Thursday, July 16, 1931. Also confirmation of delivery by telegraph office.

MINUTES OF PROCEEDINGS

THURSDAY, July 16, 1931.

The Special Committee appointed to investigate the Beauharnois Power Project met at 11 a.m. Hon. Mr. Gordon, the Chairman, presided.

Members present: Messrs. Dorion, Fiset (Sir Eugène), Gardiner, Gordon, Jacobs, Jones, Lennox, Mackenzie (*Vancouver Centre*), Stewart (*Lethbridge*).

Mr. White, K.C., of counsel for the Committee, filed:—

Exhibit No. 105—Certified copy of affidavit leading to granting of probate of will of Mr. Clifford W. B. Sifton, with schedule of assets.

Mr. Hugh B. Griffith, Secretary Treasurer, Beauharnois Power Corporation, Limited, was recalled and further examined.

Mr. Griffith retired.

Mr. Narcisse M. Cantin, of Montreal, Que., was called, sworn and examined.

Mr. Cantin retired.

Mr. R. O. Sweezey, President, Beauharnois Power Corporation, Limited, was recalled and further examined.

Mr. Sweezey retired.

Mr. Frank P. Jones, Canada Cement Building, Phillips Square, Montreal, Que., was recalled and further examined.

Mr. Jones retired.

The Committee adjourned at 1 p.m. until 3 p.m.

The Committee resumed at 3 p.m.

Members present: Messrs. Dorion, Fiset (Sir Eugène), Gardiner, Gordon, Jacobs, Lennox, Mackenzie (*Vancouver Centre*), Stewart (*Lethbridge*).

Hon. Senator Donat Raymond, The Senate, Ottawa, Ont., was called, sworn and examined.

Hon. Senator Raymond stood aside.

Mr. Hugh B. Griffith was recalled and further examined.

Mr. Griffith retired.

The examination of Hon. Senator Raymond was resumed.

Hon. Senator Raymond retired.

Mr. Robert Dodd, of Robert Dodd and Company, Investment Bankers, Royal Bank Building, Montreal, Que., was called, sworn, examined and cross-examined.

Mr. Dodd retired.

Mr. White, K.C., filed:—

Exhibit No. 106—Letter, July 10, 1931, from Mr. Francis King, Dominion Marine Association, to Hon. W. A. Gordon, Chairman of the Committee.

Mr. Hugh B. Griffith was recalled and further examined.

Mr. Griffith retired.

Mr. White, K.C., filed:—

Exhibit No. 107—Copy of telegraphed letter, July 15, 1931, from Mr. Victor Cloutier, Chief Clerk of Committees, H. of C., to Hon. Senator W. L. McDougald, inviting him to attend the Committee to give evidence on Thursday, July 16, 1931. Also confirmation of delivery by telegraph office.

The Committee adjourned until to-morrow, Friday, July 17, at 11 a.m.

JOHN T. DUN,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,
THURSDAY, JULY 16, 1931

The Select Special Committee appointed to investigate the Beauharnois Power Project met at 11 o'clock, Hon. W. A. Gordon presiding.

Appearances: Peter White, K.C., Louis Morin, K.C., B. H. L. Symmes, for the Committee.

G. H. Montgomery, K.C., L. A. Forsythe, K.C., I. F. Hellmuth, K.C., for the Beauharnois Company.

J. R. L. Starr, K.C., for Senator McDougald.

Hon. Lucien Cannon, K.C., for the Province of Quebec.

Lucien Moraud, K.C., for the Royal Trust Company.

Mr. WHITE: You will remember, Mr. Chairman, that I was directed to make enquiry as to probate of the will of Mr. Clifford Winfield B. Sifton, and I have a certified copy of the affidavit filed in the Surrogate Court office of the United Counties of Leeds and Grenville, leading to the granting of probate of Mr. Sifton's will, and connected therewith the affidavit filed under the succession Duty Act; and I find that the bulk of Mr. Sifton's estate consisted of shares in Armadale Corporation, Limited, on which a valuation is placed, and in connection with which I think I ought to say that in another matter it has come to my attention, it is a corporation in which a very large portion of the Sifton interests have been transferred, and it has been in existence for some time.

In addition to that, there are other assets, household goods and furniture, pictures, etc., farm implements, horses, horn cattle, clothing and personal effects. In other words, it does not disclose any interest in Beauharnois.

Mr. MACKENZIE: There is nothing there from McDougald?

The CHAIRMAN: If it goes in as an exhibit, it will be exhibit 105.

(Document filed and marked exhibit 105.)

Mr. WHITE: Then, there are various other things, according to the memorandum, which Mr. Gardiner and the committee asked about, and which I submitted to some of the members of the committee yesterday, and which some of them thought were pertinent; and perhaps Mr. Griffith, if he is here, or some other officer, will be able to furnish us with a list of the shareholders of the Beauharnois Power Corporation. Is that immediately available?

Mr. GRIFFITH: I believe there is a list at the hotel. I had one prepared, as of June 1st, I think it was, immediately on the receipt of notice that it would be required.

Mr. WHITE: Yes, I remember you showing it to me, or intimating that you had it.

Mr. GRIFFITH: Yes.

Mr. WHITE: I wonder if you would send for it.

Mr. GRIFFITH: I will send for it now.

Mr. WHITE: The second request is the exact date of the beginning of the excavating of the canal with banks about 3,300 feet apart. I think perhaps, Mr. Henry will be able to tell us that, will you Mr. Henry.

Mr. HENRY: I shall make enquiry, and perhaps will be able to tell you in half an hour.

Mr. WHITE: Perhaps you can inform yourself of the exact date of the subscription of the Credit Generale du Canada. There is some discrepancy there. The entry in the share register was as Mr. Griffith told us some time after the actual subscription which had been in—

Mr. GRIFFITH: April 1, 1927.

Mr. WHITE: That is the exact date? That covers it Mr. Gardiner, does it not?

Mr. GARDINER: Then, on page 643 of the evidence, Mr. Sweezey giving evidence, was cross examined by Mr. Morin, and states in his reply that an application was made for shares by the Credit Generale du Canada dated the 26th March, 1928. That is at the top of the page. Then, we come down to the bottom of the page, and Mr. Griffith is called in and examined in regard to the same question, and he says, "Oh yes, I can give as a definite fact, that the Credit Generale du Canada cheque reached us sometime in 1927." Apparently then, the cheque reached the company before the application. It was probably a mistake in dates, but it is just as well to have the record clear.

Mr. WHITE: I understand that the later date referred to is the date of the entry referred to in the registry and that the date was not written up until some time after the subscription.

Mr. GRIFFITH: That is correct.

Mr. WHITE: That accounts for the discrepancy.

Mr. GARDINER: That is all right then.

Mr. WHITE: And then Mr. Gardiner desires also to know—and perhaps Mr. Griffith could tell us this—were the 800 units in the name of Credit Generale du Canada ever transferred to Mr. Jones, that is, Mr. F. P. Jones.

Mr. GRIFFITH: I understand that by the 800 units in the name of Credit General you refer to the 1,600 units which stood in their name in the second Syndicate. I will just consult my book now and see. There is no such entry on the registry.

Mr. WHITE: Is that an unequivocal answer?

Mr. GRIFFITH: No. I should make it clear that the part-interests registered in the name of Credit Generale were sold to Mr. R. O. Sweezey at the same time that Mr. Jones sold his part-interests. But there was no transfer of the Credit Generale interests to Mr. Jones.

Mr. WHITE: Transferred directly to Mr. Sweezey.

Mr. GRIFFITH: Transferred directly to Mr. Sweezey.

Mr. WHITE: Although a sale had been made such as you indicate.

Mr. GRIFFITH: Through the intermediary of Mr. Jones.

Mr. WHITE: Is that satisfactory, Mr. Gardiner?

Mr. GARDINER: That is satisfactory, Mr. White.

Mr. WHITE: Then, Mr. Chairman, you will recall that yesterday I was asked to have an interview with Mr. Cantin with the idea of forming some opinion as to whether the evidence which he suggested he might offer would be of interest to the committee, and I met him yesterday afternoon and had a long interview with him and his son and his counsel, and I have to report that inasmuch as certain statements were made in the evidence of Mr. Sweezey which perhaps more by their tone than the actual words might be construed as reflecting on the credit of Mr. Cantin, that I suggest to the committee that it would be proper if he were allowed to appear and to make a statement in regard to what Mr. Sweezey said in that respect.

Hon. Mr. MACKENZIE: Just on that one point.

Mr. WHITE: There may be other things that he may want to clear up, but I have asked him to avoid dealing with matters which are purely the subject of a lawsuit between the Power and Transportation Corporation and the Beauharnois interests.

Just before we come to that, Mr. Griffith I understand, Mr. Chairman, was to let me have the exact date upon which the firm of McGiverin, Haydon & Ebbs were retained by the Beauharnois Syndicate.

Mr. GRIFFITH: To the best of my knowledge that would be the date on which they received their first payment. That can be ascertained from the exhibits. I will be glad to ascertain that.

Mr. WHITE: I suggest to you that that would not be the date of the retainer.

Mr. GRIFFITH: My recollection is that the cheque very shortly followed the arrangement. By how many days I cannot tell you.

Mr. WHITE: But there was an arrangement, Mr. Sweezey told us, by which a certain fee was to be paid.

Mr. GRIFFITH: I am not referring to the cheque for \$50,000. There was a smaller cheque at an earlier date.

Mr. WHITE: Mr. Symmes informs me that is the 3rd October, 1928.

Mr. GRIFFITH: Well, I would say that is the date.

NARCISSE M. CANTIN, called and sworn.

The WITNESS: I noticed by the newspaper, Mr. Chairman, that I was accused of borrowing money from Mr. Sweezey.

Mr. JACOBS: That is not an accusation.

Hon. Mr. MACKENZIE: I think everybody in Ottawa seems to have done the same thing.

The WITNESS: I wish to say that I never borrowed a penny from Mr. Sweezey.

By Mr. White:

Q. Did you ever ask him for any personal loan of any kind?—A. I never asked him for any personal money for myself.

Q. Never at any time?—A. No, nor from anybody else either.

By Mr. Lennox:

Q. He says you bothered him from day to day and week to week?—A. I have only been, Mr. Chairman, in all my lifetime ten times in his office. The first time I was there I was brought there by Mr. Bergevin, a personal friend of his.

Q. He said he had to write a letter to prevent you from coming to see him?—A. I never heard of that letter. But he wrote a letter to Mr. Bergevin soliciting Mr. Bergevin to bring me to his office with all the documents pertaining to engineering and legal matters, and at the request of Mr. Bergevin I did go to his office and delivered to him such papers as I thought would enlighten him as to the lawsuit against the Robert heirs in which he was very much interested.

By Mr. White:

Q. Was Mr. Sweezey an employee of your company at one time?—A. I beg your pardon, Mr. White.

Q. Was Mr. Sweezey an employee of your company at one time?—A. He was from the 4th day of April, 1925—

Q. Wait a minute, please, till I finish my question, an employee of your company, the Transportation & Power Corporation Ltd.?—A. From the 4th day of April, 1925—

Q. Until when?—A. As Chief Engineer.

Q. Until when?—A. Until he sent a letter saying that he did not wish to associate himself with the company. I forgot the date but I think it is December—I have it here some place—December, 1926.

Q. That is, for about a year and some months?—A. Well, he became the Chief Engineer in April, 1925, and then tried to pretend that he was retiring in December, 1926.

Q. I find by reference to page 637 of the evidence this statement is made at the top of the page:

By the Chairman:

Q. This was in 1923?—A. Probably 1925 or 1926. I am not sure about the date of that.

He is speaking about the Great Lakes, and so on. Perhaps I had better go back on the other page, so that we will get the continuity of it:

The further I got away from Montreal the more I realized the importance of the Montreal water powers—the St. Lawrence water powers as compared with the water powers in other parts of Canada. In 1913 I was instructed by Sir Max Aikin, now Lord Beaverbrook who was then president of the Royal Securities Corporation, to investigate the water power which we know as Beauharnois.

By Mr. White:

Q. When was that?—A. In 1913. And after a superficial examination followed subsequently by certain details, I came to the conclusion that this really was the water power of Canada which merited attention—far more than the water powers more distantly removed that I had been giving some attention to up to that time. I reported to Sir Max Aiken, who was then living in London, my findings in this case, and as I recall it, I had further investigated on the whole prospective idea of development. I followed this up with further investigation from time to time, but we were soon into a period when 1914 suggested the difficulties of the world war, and then water powers and their development were forgotten. A couple of times during the war this matter of Beauharnois recurred to me through other directions and other consultations, but because of the conditions at the time, I could not pursue them very far. After the war I maintained a sort of passing interest in it. I was living in Montreal; Beauharnois was close by; and I kept on observing the possibilities of this development. The interest I maintained was at that time reawakened more than at others because I heard of certain interests who were looking into it. Into 1920-21, Mr. E. A. Robert, who was then chairman of the Montreal Tramways, himself spoke to me as to the possibilities of developing this power, and coupling with him certain Boston and New England interests. I followed his interest in the matter, and he, at the same time, was interested, I understand, in the development of the Carillon power on the Ottawa. Later on Mr. Robert's negotiations with the New England people were completely abandoned because of some difficulty in the exportation of power from the province of Quebec to the United States. It then became a policy of the province of Quebec, I understand, not to export power to the United States in any form, except such power as was already under licence. After Mr. Robert's abandonment of the idea of development for export to New England, I heard nothing more of it for two or three years, except in a rather vague way, and what I occasionally had read in the papers.

One day Mr. Cantin who was the chief factotum of the transportation and power company, came in to see me—was introduced by another man, Mr. Bergevin.

You say that that interview was as the result of a letter which he wrote to Mr. Bergevin?—A. Yes, sir.

Q. Asking him to bring you to see him?—A. Yes, sir.

Q. And you have a copy of the letter?—A. Yes, sir. I have it here.

Mr. JACOBS: Mr. White, do you intend to contradict Mr. Sweezey, your own witness.

Mr. WHITE: He is not my witness.

Mr. LENNOX: There is no such thing as being his own witness.

Hon. Mr. MACKENZIE: Is this all going to the question of credibility?

Mr. LENNOX: This is an investigation. This is not a court. Mr. White is compelled to bring before this committee whatever witnesses he can. He does not collect the witnesses.

Mr. JACOBS: Mr. Sweezey was put on the stand by Mr. White.

The CHAIRMAN: Surely you are not suggesting that Mr. White is attacking Mr. Sweezey's credibility as his witness under the Evidence Act.

Mr. JACOBS: Not at all.

Mr. WHITE: I am merely giving Mr. Cantin an opportunity of repelling what appeared to be a personal attack upon him, and I think in doing so that anybody in any British court, or select committee, would be entitled to that privilege, surely.

Hon. Mr. MACKENZIE: I would fancy Mr. Cantin merely declares the statement made by Mr. Sweezey is not correct. Then there is the contradiction and that is the end of it.

Mr. WHITE: Well, I suppose if it becomes of any importance at all, from the standpoint of Mr. Cantin's character or reputation, that he would be entitled to bolster up his denial by any documents which he has in his possession.

Mr. LENNOX: To my mind that becomes important, because they did disagree, or I apprehend they are going to disagree.

Hon. Mr. MACKENZIE: They have done nothing else from the very start but disagree.

Mr. JACOBS: We are not going to take up the quarrel between Beauharnois Light, Heat and Power Company, and Transportation and Power, because if we were asked to do that we would be here for a year.

Mr. WHITE: I agree with you. It has taken them more than a year to resolve it and they have not got it fixed yet. Shall I proceed, Mr. Chairman.

The CHAIRMAN: Yes, go on.

By Mr. White:

Q. What is the date of that letter? Have you found it?—A. I wish to finish my remarks with regard to the borrowed money.

Q. I will come to that, if you will just follow me. I will proceed.

By the Chairman:

Q. Where is this letter? Why didn't you have it when you came here?—A. I was in New York and did not have time to procure it.

Q. If you felt aggrieved by anything that took place here you should have come prepared to give your evidence? (No answer).

Mr. WHITE: Then:

He informed me that the Transportation and Power and another company called the Great Lakes something or other, then owned the Robert rights. In my investigation of 1913, the Robert rights were the ones which I regarded as the basis upon which this whole development could take place; because I realized there were several factors. First, there was the physical one; second, some sort of legal position from which an operation could base its beginning; and third, there was the financial problem. Mr. Cantin, having informed me that they owned the water power in question, I immediately became interested and said, from the point of view of one in financial business—my house had had up to that time—Newman, Sweezey and Company—several undertakings in the pulp and paper business, and one or two other things—I was interested in producing good sound securities for sale, and I knew nothing better than water power securities, especially the water power in close proximity to Montreal, particularly as I knew something about Beauharnois and figured I had given it pretty ample study with a view to taking a hand in it sometime.

By the Chairman:

Q. This was in 1923?—A. Probably 1925 or 1926. I am not sure about the date of that. Later, as Mr. Cantin kept calling on me, I discovered that his idea was to sell me stock in his company. I always resisted that idea, saying I was interested in having the titles of the property, and I would be willing to make a proposal subject to his being able to deliver the title. I came in contact with Mr. Robert afterwards—and I am not sure just how and when I ascertained this fact—but I discovered that Mr. Cantin and his company did not in any way own control in this company; that they had had an option at one time, but the option was expired.

By Mr. Morin:

Q. But you had a law suit; they are suing you for \$10,000,000; it is pending before the Court?—A. Yes. I will come to that in a minute. They endeavoured to belittle this law suit, and they gave me a rather confused deal, and immediately I withdrew my interest in the matter. But Mr. Cantin continued to visit my office from time to time, and rather persistently, always with the desire to sell me stock, and at that time offering me stock as low as fifty cents a share, and at that time even desiring to borrow money from me.

By Hon. Mr. Mackenzie:

Q. Was that Cantin senior or junior?—A. Cantin senior.

By the Chairman:

Q. Was there a condition in the law suit about the Roberts?—A. The company was—the Transportation and Power or the Great Lakes—

Q. The substance would be specific performance in this expired option?—A. That is what I understood later.

By Mr. Jacobs:

Q. You said that Cantin attempted to borrow money from you. I fancy they were modest sums?—A. Oh, yes, personal. I think at one time he had an idea that the way to settle this problem was to issue a

bond issue of a million dollars on the property, get Newman, Sweezey and Company to buy the bonds with which he was to pay off the Roberts. I did not see the force of this argument, because that left Newman, Sweezey, to hold the bonds and nothing to pay the interest on the bonds. In seeing W. H. Robert, who is really the chief executor of the estate, from time to time, I ascertained—although told to the contrary by Mr. Cantin—that the law suit was not settled and they were going to fight it to the end, and the Roberts were very bitter against the Transportation and Power Company, and felt they were being hounded on something they had no right to be.

I have read far enough.

Q. Now, there are two branches of this evidence about which I think you are entitled to make a statement. The first is as to your attempt to borrow money. You have denied that?—A. I do deny it.

Q. And you wish to supplement your denial by offering some evidence?—A. If you will allow me, the first evidence I desire to give is that I am the man who originally dealt with Robert. I paid the first \$2,000 for the previous option. Here is Mr. Robert's receipt with a photostatic copy of the signatures; it is an option for three days only.

Q. What is the date of it?

Mr. LENNOX: October 14, 1921.

The WITNESS: And in another three days another \$3,000 in cash. I would never have bought out the Robert heirs or the Beauharnois Light, Heat and Power Company if Robert had not supplied me with the letter dated September 2, 1913, signed by Mr. R. O. Sweezey, which reads in part as follows:—

Briefly stated, the scheme is submitted by Mr. W. H. Robert, brother of Mr. A. E. Robert of the Montreal Tramways.

This Mr. W. H. Robert has formed a company with a provincial charter granting the rights to divert 40,000 cubic feet per second from the St. Lawrence River at the lower end of Lake St. Francis, via the South Shore of the St. Lawrence, through a canal eighteen miles long to Lake St. Louis.

I took it for granted, but found out since that it was false. I paid Robert \$10,000 in cash on the purchase price of the Beauharnois Light, Heat and Power Company as well as the property held by the Robert heirs in connection with the Beauharnois Light, Heat and Power Company, and I had one year's time in which to pay the balance of the purchase price.

By Mr. White:

Q. What year was that?—A. The 4th November, 1921; that is the date when the whole family signed it, the mother as well as the daughters.

Q. Please do not give us too much detail. Proceed?—A. Then the Roberts had to admit that they obtained my money by false representations, because they did not pay the 40,000 cubic second feet that they sold. I was paid \$500,000 because they represented that there was a contract between the Provincial Government and themselves.

Q. I would prefer, and I think the committee would prefer, that you do not get into any ground that is controvertial in this lawsuit?—A. Mr. Montgomery got this thing all mixed up with regard to our lawsuit, and he ought to know better because we supplied him with all the documents.

Q. You must forgive Mr. Montgomery. He is not very bright?—A. In the face of this document he must have forgotten something; I know he is a very bright man.

Q. One of the foremost lawyers in this country?—A. So far as my borrowing money is concerned, I can produce my bank books showing my daily deposits for every day that the bank has been opened since the year 1922, which do not amount to less than \$250 per day; and since Sweezey sent that letter on the 14th. October, 1926, until the 1st January, 1927, my deposits have averaged over \$2,000 per day.

Mr. LENNOX: Did you say Sweezey loaned him money or that he tried to borrow it?

Mr. WHITE: He tried to borrow as low as 50 cents, I understand.

Hon. Mr. MACKENZIE: I think that was an interjection by Mr. Jacobs.

Mr. JACOBS: I said 50 cents a share.

By Mr. White:

Q. Were you endeavouring to sell him shares in your company?—A. I was not.

Q. Did you ever endeavour to sell him shares?—A. I never did.

By Hon. Mr. Mackenzie:

Q. What business are you in now?—A. I am the promoter of waterways since thirty-five years, being at it all the time, but not this kind of waterway. My developments go to 3,200,000 h.p. They are now junking the project at Cedars Rapid because the head is too low, and after a while they will junk this one too. I have a real waterway.

By Mr. White:

Q. On either of these two questions which are regarded by the committee as a matter of personal privilege, have you anything further to say?—A. Not unless you want to ask me some questions. I am satisfied to let the public know that I did not want to borrow 50 cents.

By Hon. Mr. Mackenzie:

Q. That was a mistake, I think?—A. I did not think this was the place for a joke. I myself remember the suggestion being made that a taxi-cab should have been hired instead of a lawyer when my son declared that he had hired a lawyer in Quebec and paid him \$126.25. Mr. Jacobs said: "Why didn't you hire a taxi-cab instead"?

Mr. JACOBS: I do not want to assume the responsibility for that statement. I think it was the chairman who suggested that.

The CHAIRMAN: Where does that remark appear in the evidence?

Mr. JACOBS: Do you remember the statement to the effect that nobody could get anything for \$126.25 in the Province of Quebec?

The CHAIRMAN: All I said was: "No wonder he didn't get the information."

By Mr. White:

Q. Are you satisfied that you have had an opportunity to make any explanation you desire?—A. Yes, I am satisfied.

By Mr. Jacobs:

Q. You said that when you saw Mr. Sweezey you never asked to borrow any money personally?—A. I did not.

Q. What do you mean by "personally"?—A. Not for myself.

Q. For whom?—A. Not for other people, either.

Q. What do you mean by "personally"?—A. I probably do not use quite as good English as you do.

Q. It is not a question of whether you do or not, but did you mean not on your own account or anybody else's?—A. Yes.

Q. Or for a company?—A. Or for a company. Mr. White, may I have the privilege of speaking about the file in the Public Works Department and the Department of Railways and Canals, and the plans of the Transportation and Power Company in 1924? They are filed here.

By Mr. White:

Q. Do you refer to the application immediately prior to the Beauharnois application?—A. Yes, and prior to the application of the Sterling.

Mr. LENNOX: Filed in June, 1924.

By Mr. White:

Q. I should think that is of importance?—A. Would you allow me to make a few remarks about it?

By Mr. Jacobs:

Q. How long are you likely to take?—A. If you do not interrupt me it will not take very long.

Mr. WHITE: Mr. Cantin desires an uninterrupted flow.

The CHAIRMAN: Go on, Mr. Cantin.

The WITNESS: In 1924 my services were retained to help supply plans and documents relating to the organization of a company under the name of the Confederation Canal and Power Company. Under Bill 58 the company was to be capitalized at \$500,000,000.

By Mr. White:

Q. At what year?—A. 1924. First meeting 14th of April, 1924; and in the month of May the Globe came out "kill this monstrous Bill", and every day the Globe and other papers had full editorials. Well, on the June following we filed these plans with this letter for the diversion of 110,000 cubic feet from Hungry Bay, Lake St. Francis, to Laprairie Basin. We had no acknowledgment from the Department of Public Works that they had received the file until the 5th day of September, 1924, and as yet never received an acknowledgment from the Railways and Canals Department, although it was filed on the same day—to the two ministers. In the meantime, we had the Canadian-British Corporation trying to deal with us and we received a letter from Mr. Watt, Toronto office, advising us that application had been made to Parliament by other influential people, and I think this letter should be on file. It is worth while reading.

Q. Is it a long letter?—A. No, a short letter. Now, in the meantime, when all these advertisements came out in the paper—all this propaganda criticizing the \$500,000,000 Bill—Mr. Bergevin was coming over to see me to bring me to Mr. Henry as Mr. McDougald's representative. I have been in Mr. Henry's office many times with Mr. Bergevin, carrying to Mr. Henry all the documents, maps and plans in connection with this waterway. It looked so good, it was so enticing that shortly afterwards this Sterling Company filed plans, and from that on we could make no progress.

By the Chairman:

Q. When did they file plans?—A. July 5. My memory is not good for dates.

Q. I do not want to do a seeming injustice to anyone, but you say "Mr. Henry, Mr. McDougald's representative"; how do you know that?—A. Mr. Bergevin brought me to Mr. Henry as Mr. McDougald's representative on many occasions.

Q. That is only what Mr. Bergevin says?—A. The hon. Achille Bergevin is the man who introduced me to the Robert heirs who sold me the Beauharnois Company, and Mr. Bergevin introduced me to Mr. Sweezy and Mr. Henry.

Mr. LENNOX: Did you have any particular connection with Senator McDougald?—A. Never saw him. I do not know Senator McDougald, and I do not know any of those people who spoke about the probe in the House of Commons. I do not know Mr. Gardiner by sight.

Mr. WHITE: Stand up Mr. Gardiner.

The WITNESS: I congratulate you for your nerve.

By Mr. White:

Q. Is there anything else Mr. Cantin?—A. That is all. I could say much more, but that is all. You can read between the lines. That is all now.

By Mr. Lennox:

Q. You tell that in court?—A. I prefer to tell it in court.

ROBERT O. SWEEZEY, recalled.

By Mr. White:

Q. You will recall during your evidence that a letter was filed—page 638 of the evidence—dated October 14, 1926, part of exhibit 23, addressed by you to Mr. J. Alderic Raymond?—A. Yes.

Q. You recall the letter, do you?—A. Yes.

Q. And in that letter you make this statement:—

In connection with personnel of syndicate, I have in mind the individuals we should enlist with us, and although I have been in touch with the United States people showing a desire to join, I have hesitated to accept anyone definitely until certain that each and every one is persona grata to all others.

I have said nothing about the vision necessary to an appreciation of such a project from an economic point of view, nor have I touched upon the huge profits that may be expected, as these are matters that the ordinary business man can well picture for himself. I do not wish to minimize, however, the task that presents itself in rounding up and launching such a scheme. The actual raising of the money becomes easy, however, once the physical properties and rights have been gathered in.

In paragraph 3 of that letter, which appears a little ahead of that part I have just read, you make two suggestions, and the third one is this:—

Enlist with our syndicate two or three individuals, who in addition to providing some cash as their fair share, can assist us in getting our rights extended or enlarged so as to develop the entire available flow of the St. Lawrence at this point. As the whole situation is entirely within the Province of Quebec, our influence has to be exerted only in Canadian political circles—that is at Ottawa and at Quebec.

Then you say in connection with the personnel of the syndicate, "I have in mind the individuals we should enlist with us." Do you remember being asked about who these individuals were and saying that you could not recollect?—A. Yes.

Q. May I help your memory a bit on that point. Do you remember being examined for discovery in the case of the Power and Transportation Company?
—A. Yes.

The CHAIRMAN: Identify the date of the examination, and the officer before whom that examination was taken.

Mr. WHITE: This is the 6th of October, 1930, and the document which I have chosen was—

By Mr. White:

Q. Before whom did this take place, Mr. Sweezy?—A. I think it was in Montreal, but I do not know especially before whom.

Q. Were you asked these questions upon that occasion, and did you make these answers? Referring to this particular letter—I need not go back; I will ask you to take my word for it; it was in reference to exhibit 11—this question:

Q. I read from Exhibit 11: Enlist with our syndicate two or three individuals who in addition to providing some cash as their fair share can assist us in getting our rights extended or enlarged so as to develop the entire available flow of the St. Lawrence at this point.

Whom did you mean by those two or three individuals?—A. I do not remember, and it did not matter.

Q. Did you make that answer?—A. Did I make that answer?

Q. Yes?—A. If it is written there I presume that I did:—

Q. Reading further from the same exhibit: In connection with the personnel of syndicate, I have in mind the individuals we should enlist with us. Who were those men you had in mind and to whom you refer in this letter?—A. I was trying to figure that out the other day, and I do not remember who they were. As I recall now, I had in mind men of financial ability, men who knew the authorities in Ottawa, and at the same time who could put up their money. Just who those two or three were I do not recall precisely.

Do you remember making that answer to that question?—A. Well, I do not remember exactly the nature, but I take it that that written answer is the one I made.

Q. May I help you? Was Mr. Frank P. Jones to be one of them?—

A. Frank Jones was one of them, but I considered him from the financial point of view and not for his political ability—I mean from the point of view of finance, not from the point of view of any authority he might have in Ottawa or Quebec.

Q. Did you make that answer to that question?—A. That coincides with my views anyway.

Q. He was one of the men you had in mind from the standpoint providing capital?—A. Yes. I also had in mind the Honourable Walter Mitchell.

Did you make that answer?—A. Yes.

Q. Senator McDougald was another, I believe?—A. No, I did not think at the time Senator McDougald was the right man.

Did you make that answer to that question?—A. I presume I did. I do not recall all the details of those inquiries, but I take this as correct.

Q. We will not quarrel about that:—

Q. You did, however, discuss this with him?—A. Some time previously, but his reaction was not as good as I had hoped.

Did you make that answer?—A. Yes.

Q. He was not one of the men?—A. He was not the one included in that reference.

Q. Did you have anyone else in mind besides Honourable Mr. Mitchell and Mr. Frank P. Jones?—A. I had in mind that I might approach Senator Raymond, but at that time I had not yet met him.

Q. So, we may say Honourable Mr. Mitchell, Senator Raymond, and Mr. Frank P. Jones were the three men you had in mind?—A. Yes.

A. Yes.

Q. In your evidence at page 640, you said in the 4th question from the bottom of the page.

Q. So much so that you do not remember them?—A. I have difficulty in recalling them. I do know I had in mind at the time, and probably that is what Mr. Morin was referring to—I had in mind approaching, among others, Senator McDougald, but when I approached him he also backed away. I did not approach him—

Hon. Mr. MACKENZIE: It is the same thing as not reacting.

Mr. WHITE: That was a reaction, but it was in reverse English.

Mr. LENNOX: You ought to finish it, in fairness to Mr. Sweezey.

Mr. WHITE:

Very diligently, and I did not approach him myself; I got somebody else to do it, but he would not join me.

Now, in reference to that statement, I ask you if on your depositions in the case of Cantin against Sweezey you were asked these questions, and if you made these answers:

Will you deny having met him?

You were asked if you met one or two persons whose names I need not mention, and your answer was,

No. I may have met him.

Q. Senator W. L. McDougald?—A. Yes. I met him long after I had made the purchase.

Q. I am asking you if you met him before you made the purchase in connection with Beauharnois?—A. I had talks with him to get his views on it, but he had nothing to do with my purchase of it.

Q. Did you make that answer?—A. Yes.

Q. When did you first discuss the Beauharnois with him?—A. At the time Cantin was trying to sell me stock in his company, and I was trying to get from Senator McDougald his view as to what the difficulties would be in overcoming the political work to be done.

Q. Did you make that answer to that question?—A. Yes.

Q. You told me Cantin was in nearly every day?—A. Sometimes he would not be in for a few weeks.

Q. When did you first consult Senator McDougald?—A. It was a good many months prior to my making the deal with Robert—

A. Yes.

—probably in 1925 or 1926, or it might have been earlier. Probably about 1925 or 1926.

Q. Did you make that answer?—A. Yes.

Q. And, I suppose you consulted him more or less continuously from then on?—A. No. He was not very approachable. He was a good listener, but he would not tell me very much.

Q. Did you make that answer?—A. Yes.

Mr. WHITE: That is all, Mr. Sweezey, just now.

Witness retired.

Mr. MACKENZIE: I see in the examination Senator Raymond has been mentioned, may I ask if we have heard from him at all?

The CHAIRMAN: Yes. Senator Raymond saw me last evening and said he was ready to give evidence before the committee. He said he would be here this afternoon or at any other time the committee desires his presence.

Mr. WHITE: I see Mr. Jones is here, Mr. Chairman.

FRANK P. JONES, recalled.

Q. You are already sworn, Mr. Jones?—A. Yes, sir.

Q. When you gave your evidence here on the last occasion, you stated that the amount of profit that you had made out of the Beauharnois transaction was \$780,000, or thereabouts, \$790,000.

Hon. Mr. MACKENZIE: Between \$750,000 and \$800,000.

Mr. WHITE: What page is that on?

Hon. Mr. MACKENZIE: 382.

By Mr. White:

Q. Between \$750,000 and \$800,000. As a matter of fact, the actual figures and data that we had at that time showed that you had a profit of, according to your statement, \$790,000. I think Captain Mackenzie figured it out.—A. I think the exact figure, sir, is \$785,000; and then the exact profit—when I say profit, I mean the difference between what I paid and what I sold to Sweezey—

Q. You sold, as a matter of fact, to Sweezey, 3,200 units at \$550 per unit, did you not?—A. No, sir. The total amount I think was 6,900 shares. That 6,900 included what I owned, all the rest in my name and most of the proxies that were given me.

Q. You owned— —A. That is, I want to qualify that. It did not include all the proxies, because some people who gave me proxies, then, did not take the opportunity to sell.

Q. But, as a matter of fact, you were the owner, or appeared to be the owner in your own name of first your original subscription of 800 units which became 1,600 units?—A. Correct sir.

Q. In the second syndicate?—A. Yes, sir.

Q. And you also had purchased a further 1,600 units?—A. I think you will find, if you look over the record, the total number of shares that ever stood in my name was 4,050, but before the sale I transferred 550 to the owners.

Q. 550 to the owners?—A. Yes.

Q. That left you— —A. The most shares that I ever owned or had any real interest in was 1,600; although more stood in my name.

Q. I see. Who owned them?—A. I owned 1,600 absolutely.

Q. Who owned the others?—A. Various people.

Q. Who were they?—A. Who were they?

Q. Yes.—A. There was Walter Mitchell, W. S. Lee—

Q. How many did Walter Mitchell own?—A. The total, less 1,600.

Q. What is that?—A. I am speaking of the final 1,600.

Q. He owned 1,600?—A. Yes.

Q. At the time?—A. At the time they were sold.

By Hon. Mr. Mackenzie:

Q. The same amount as you did?—A. Absolutely. First it was 800, it was 400, and 400—

Mr. WHITE: Just a moment, Mr. Jones. Permit me to get this in some sort of continuity.

Q. You say the Hon. Walter Mitchell owned of the shares that stood in your name, 1,600?—A. He owned—I did not say that, no sir.

Q. At the time the sale was made to Sweezey?—A. No sir, that is not correct.

Q. Let us have it correctly, then?—A. Hon. Walter Mitchell, at the time of the sale by me to Sweezey, of the shares standing in my name, owned 1,100, 500 shares had been transferred to him before that time.

Q. It was out of the block of 1,600?—A. Quite correct, sir. I did not understand your question that way. I thought you said other shares standing in my name.

Q. I did say that—A. I beg your pardon, if I was wrong.

Q. We understand each other now?—A. Yes, I think so.

Q. In order that it may go down correctly, at the time of the sale by you to Sweezey at \$550 per unit, Hon. Walter Mitchell, of the shares then standing in your name, owned 1,100?—A. 1,100, that is correct.

Q. He also owned 500, which he had previously transferred to him by you?—A. I believe he did.

Q. And were the 1,100 shares standing in your name sold by you to Sweezey?—A. On his instructions.

Q. They were sold, as a matter of fact?—A. Did I understand you to say sold by me to Sweezey?

Q. Sold to Sweezey?—A. Yes, sir.

Q. At \$550 a share?—A. At \$550 a share.

Q. Had he purchased those at the same price at which you had?—A. Absolutely.

Q. So that his profit on the transaction would be proportionately the same as yours?—A. It would be, I think, almost identically the same, sir.

Q. Proportionately?—A. Yes.

Q. Do you, as a matter of fact, know whether he sold the 500 shares at that time to Sweezey at \$500 per share?—A. Yes, he did.

Q. So that his profit and yours would be the same?—A. The same.

Hon. Mr. MACKENZIE: That explains the evidence.

Mr. WHITE: Yes.

Q. That accounts for 3,200?—A. That accounts for 16 and 16 and 32.

Q. Not 16 and 16 and 32?—A. No, 16 and 16 making 32.

Q. It accounts for 3,200 shares?—A. Yes.

Q. You had 4,050?—A. Yes.

Q. And that leaves about 850?—A. That leaves 850.

Q. Who owns them?—A. W. S. Lee—no, I cannot say that, a company, but I think it was Mr. Lee owned 50—

Hon. Mr. MACKENZIE: Is he the engineer?—A. Yes.

By Mr. White:

Q. The engineer?—A. Yes.

Q. He was consulted in this matter?—A. They were transferred out of my name before the sale to Mr. Sweezey.

Q. Do you know to whom they were transferred?—A. Transferred to a company, I think. I cannot just at the moment recollect the name.

Q. That leaves 800?—A. That leaves 800. Now, the 800 I do not know to whom they belonged. They were purchased, originally 200, and afterwards became 800, by a legal firm for a client of theirs.

Q. Who is the legal firm?—A. Perron.

Q. Hon. J. L. Perron?—A. Yes. He was working for the Shawinigan company, and I had seen him a number of times, and naturally, as I said

before, he was generally antagonistic, although I think I showed him or had some effect on shaking his views, that this was the proper development. He asked me if I would get an interest for a client of his, and I got him 200 shares; and I said, "in whose name," and he said, "I will let you know." I said, "I have to know now," so he said, "put them in your name." So I put them in my name.

Q. Whose money paid for them?—A. His firm's money, or his, I cannot say which. At least, Perron's cheque, anyway.

Q. Was he at that time a member of the Government?—A. Yes, sir.

Q. And Mr. Mitchell was a former Provincial Treasurer?—A. Yes, but Mr. Mitchell—

Hon. Mr. CANNON: One moment. I do not think this committee has any jurisdiction to inquire into these things.

Mr. JACOBS: Perhaps you can give the committee some information as to when Mr. Mitchell went out of politics.

Hon. Mr. CANNON: I think Mr. Mitchell has been out of Provincial politics now for ten years.

The WITNESS: May I say, Mr. Mitchell not only had been out of Provincial politics, but out of Dominion, too, Provincial and Dominion.

Hon. Mr. CANNON: Mr. Mitchell has been out of Provincial politics for ten years.

The WITNESS: After Provincial, he went into Dominion and then, was out of Dominion at the time.

Mr. JACOBS: He was a member of this House for two years, and he resigned, as you know, because he could not agree with the government of the day.

The WITNESS: That all took place before Mr. Mitchell joined me in this.

By Hon. Mr. Cannon:

Q. The Honourable Mr. Perron is now dead?—A. The honourable Mr. Perron is now dead and the shares were not for the honourable Mr. Perron, as far as I know.

By Mr. Jacobs:

Q. Do you say that the cheque was issued by Mr. Perron's firm or by the Shawinigan Company?—A. Not by the Shawinigan Company, no.

By Mr. White:

Q. Well, Mr. Jones—

Hon. Mr. CANNON: I would like to have a ruling, Mr. Chairman. I have made my objection but Mr. White keeps on putting his questions.

Mr. LENNOX: What is your objection?

Hon. Mr. CANNON: My objection is that this committee has absolutely no authority to inquire into anything in regard to the provincial Government of the province of Quebec.

The CHAIRMAN: We have not arrived at that point, Mr. Cannon. I wish you would amplify your reasons for the objection because at the moment we have not arrived anywhere near the provincial Government of the province of Quebec.

Hon. Mr. CANNON: Well, I may be wrong, Mr. Chairman, but I understood Mr. White to ask the witness if the honourable Mr. Perron was a member of the Provincial Government.

Mr. LENNOX: There is nothing objectionable about that.

The CHAIRMAN: Surely there is nothing objectionable about that. I would consider it a very high honour if I were a member of the Provincial Government of Quebec.

Hon. Mr. CANNON: It is an honour, there is no doubt about that. But the question before the committee is not whether it is an honour to be a member of the Provincial Government of Quebec or not, but whether this committee will take upon itself to investigate, as a committee appointed by the Dominion House, matters which are relevant to the administration of the Government of the Province of Quebec.

Mr. LENNOX: Do you suggest that the question reaches that stage?

Hon. Mr. CANNON: No. As I said before, I do not see any reason to object to the question that has been actually put to the witness, but again—

Mr. LENNOX: You are just taking precautions.

Hon. Mr. CANNON: Not precautions. I think I have full faith in the Chairman as to that.

Mr. JACOBS: I hope you are not leaning on a broken reed.

By Mr. White:

Q. Then is it a fact that the honourable Mr. Mitchell paid for his shares?—

A. Absolutely, the same price as I did.

Q. And it was his money and not yours that purchased the shares?—A. Those 1,600 part-interests.

Q. The part-interests?—A. I want to correct, sir, if I may the evidence I gave the other day, which may have been misleading. As a matter of fact, Mitchell and I were in together. As I told you we subscribed for 800 which then became 16.

Mr. LENNOX: You told us that to-day. You did not tell us that before.

Mr. WHITE: You could not remember before.

Mr. LENNOX: Let us see if we have got this thing right. Turn to page 373. Before reading the questions and the answers there, my recollection is that you stated that the 800 shares belonged to you absolutely, and for which you paid \$30,000 in cash.

Q. That is my recollection?—A. Well, I never intended to convey that impression.

Q. Did you mention, when you gave your evidence before, the name of Mitchell?—A. No, sir.

Q. No.

By Mr. Jacobs:

Q. Were you asked the question?—A. No, sir.

The CHAIRMAN: We will get the evidence.

By Mr. Lennox:

Q. Look at page 373:

The WITNESS: I remember distinctly I took 800 shares in the Syndicate; that was my portion.

Is that answer correct?—A. 800 which became 16.

Q. I will read it again?—A. Yes.

Q. "That was my portion." Is that correct?—A. Yes.

Q. So Mitchell was interested in this?—A. Mitchell owned a half-interest.

Q. They were not your portion then?—A. They were my portion. I subscribed for them in my name.

Q. Then:

By Mr. Morin:

Q. In this syndicate there were 5,000 shares?—A. Speaking from memory, 5,000 shares, in which I took 800.

Is that answer correct?—A. I think it is, sir.

Q. Then further down:

Q. You bought 800?—A. I bought 800.

Then down at the bottom of the page:—

How much did you pay for these 800?—A. I paid for that 800 shares—the syndicate required more money by that time—

The CHAIRMAN: I cannot hear you, Mr. Jones.

The WITNESS: I beg your pardon, sir. The syndicate required more money and it came along and I subscribed for another 800.

Is that answer correct?—A. Yes. Before we started, I asked the privilege of correcting. May I correct that while we are here?

Q. I am reading it to give you that opportunity?—A. Yes, thank you. What I want to correct is, that I did pay for these shares and issued my cheque, but Mitchell the minute I asked him gave me his.

Q. Let us see now.—A. What I stated the other day was, my total investment was \$195,000 plus—

By Mr. White:

Q. \$190,000 is what you said?—A. \$190,000, that is correct, sir, plus a liability to the bank of \$100,000. Now, that is not correct and I want to correct that because as I told you, Mr. Mitchell the minute I asked him paid me his full share. He paid me half of that sum, \$95,000.

By Mr. White:

Q. So that your profit would be increased by that amount.

Hon. Mr. MACKENZIE: His obligation was defecited by that amount.

The WITNESS: Would be decreased, certainly.

Q. Instead of putting up the \$190,000 personally I understand you put up half of that amount?—A. That is \$95,000 plus \$100,000 guaranteed to the bank, which Mitchell had nothing to do with.

Q. You gave the guarantee yourself?—A. That is correct.

By Mr. Lennox:

Q. Which you had not to pay?—A. No, but it was an investment just the same.

Q. Just let me follow this up. Then at the top of page 374 you say:

The WITNESS: I beg your pardon, sir. The syndicate required more money and it came along, and I subscribed for another 800.

A. Now, there is where I am not sure whether Mitchell paid me in advance or not. I think he did. So that the total subscription was 1,600 which appears in my name in the books.

By Hon. Mr. Mackenzie:

Q. So that in all your transactions except the \$100,000 Mitchell and you were in on a fifty-fifty basis all along, and all in your name?—A. Absolutely, sir. That is the story.

By Mr. Lennox:

Q. Then a little further down:

Mr. WHITE: No; he asked you what you paid for the 800 shares?—

A. I paid, from memory, I paid \$30,000.

A. That is the original 800.

Q. What reason was there for concealing the fact from the committee that the honourable Mr. Mitchell was associated with you in this deal?—A. I beg your pardon, sir.

Mr. JACOBS: I do not think Mr. Jones is trying to conceal anything from this committee.

The WITNESS: I never intended to conceal it. I thought what you wanted was the profit I made, and to the best of my ability I gave you that. I think perhaps I may have been out \$5,000, but it is correct now.

By Mr. White:

Q. \$95,000, according to your statement this morning?—A. Not at all.

Q. Well, that is how I figure it out?—A. I had eventually 1,600 shares. I had 400 shares which became 8, and I purchased another 800 which gave me 1,600 for my personal account.

Q. And the total you paid out was \$95,000?—A. If you take 16 which I sold to Mr. Sweezey at \$150 a share, that gives \$880,000 does it not, and I put in in cash myself, \$95,000.

Hon. Mr. MACKENZIE: That gave you \$785,000. The figures you gave us were \$790,000, that being the actual profit you made?—A. Exactly, sir.

Hon. Mr. MACKENZIE: That makes \$5,000 difference.

The WITNESS: Now, in addition to that—and if you will please excuse me—I took a liability of \$100,000 which was just the same as putting \$100,000 cash in.

By Mr. Lennox:

Q. No it was not, because you did not have to pay a cent of it?—A. If it had gone burst I would have had to pay the \$100,000. It was the result of my making a profit instead of a loss.

By Hon. Mr. Mackenzie:

Q. If the thing had gone badly you were personally liable for the \$100,000?—A. Absolutely.

By Mr. Jacobs:

Q. If you had kept it until to-day the profit would not have been quite as much?—A. No, it would not.

Mr. WHITE: Depending, I suppose, on what you might be able to induce Mr. Sweezey to pay for them.

The WITNESS: I think that, as a matter of fact, is not quite fair. I did not induce him to pay anything. I offered to buy or sell at a certain price.

By Mr. White:

Q. I appreciate that. If you were selling to-day and Mr. Sweezey were the buyer I assume that you would sell to him for the best price that you could get?—A. Yes.

Q. So that it is a question, if you had the shares to-day you would induce Mr. Sweezey to pay for them?—A. My sale to Mr. Sweezey was not on the

basis of what I could induce him to pay. I made a price at which I was willing to sell or buy at. There is a difference between that and what I could induce him to pay. I just want to put it in that way, because I think I am entitled to that.

By Mr. Lennox:—

Q. The fact remains, however, that Mr. Mitchell and you between you made over \$1,000,000,—\$1,700,000?—A. Of profit?

Q. Yes?—A. Yes, certainly.

By Hon. Mr. Mackenzie:

Q. \$1,575,000?—A. Yes, I think that is absolutely correct.

Hon. Mr. MACKENZIE: I wish we had been living in those days.

Mr. STEWART: We were.

The WITNESS: Well, I am sorry, sir, but there have been many things that did not turn out that way. When you take the risk of things—

By Mr. Jacobs:

Q. I suppose you could give us a list of the lame ducks if we asked for it?—A. Oh, yes.

By Hon. Mr. Mackenzie:

Q. It does not always come out this way?—A. It does not.

By the Chairman:

Q. Mr. Jones, I have read your evidence given before us the other day from beginning to end, and you now know that had you not been recalled this committee would have had firmly planted in their mind, from your evidence, the fact that you and you alone, and no one else interested with you, owned those first 800 shares?—A. I do not think that is quite right, Mr. Gordon, because I think I told you—and certainly I meant to—the profit I made on that. First of all, I said I owned 800 shares which became 16, and the books showed that I had those shares, and I told you at that time that I had made a profit of \$780,000—

Q. It was so evident the other day. The questions were put to you with respect to your subscription and your payment for the 800?—A. Yes, sir.

Q. And your answers were clear and unequivocal not capable of being misinterpreted or misunderstood, and your answer was that when you applied for them you paid for them?—A. I did.

Mr. LENNOX: My money.

By the Chairman:

Q. And it was your money?—A. No. If you will turn to page —, I just forget the number, you asked me, did I apply for 800? I told you I subscribed for a further 800. That was where I may have been mistaken. It should have been 16. The first 800 I subscribed for—

Q. The first 800 you subscribed for were between yourself and the honourable Walter Mitchell?—A. I paid for that 800 and then sold half the interest, absolutely.

—Mr. LENNOX: That is putting it in a different way altogether.

The WITNESS: I am very very sorry if I did not make myself clear. The first 800 were paid for by F. B. Jones.

By Mr. Lennox:

Q. Was Mitchell aware of the fact that you were going to purchase those 800 shares when you purchased them?—A. Absolutely no.

By the Chairman:

Q. It was arranged between you and Mitchell, was it, that you would subscribe for 800 part-interests to be paid for by yourself but that he was to be equally interested with you and he would pay you just half?—A. I do not think that was the arrangement. I think the arrangement was that Mitchell could have up to a half. Mitchell always gave me anything I asked him for. Now, those 800 became 1,600, sir. Then we had the right to subscribe, and I did make another slip there. I had the right to subscribe for another 16, and I think you will see I said I subscribed for 800. Now, that is a slip of the tongue, because I did not. I subscribed for 1,600. But I had in my mind my personal profit. Of course, of the 1,600 half were for me and half for Mitchell, and that is where that slip came in. But the whole thing comes out practically as I said.

Hon. Mr. MACKENZIE: We have the facts now, but we got them through our own diligence.

The WITNESS: I do not think I was asked the question.

Hon. Mr. MACKENZIE: I quite agree that you were not.

By Mr. White:

Q. Still, you allowed us to understand that this was your personal property, and that there was nobody else interested in it?—A. I never intended that.

Q. What would be the intention of any man who answered questions in that way? Let me read to you from page 382 of the proceedings:—

By the Chairman:

Q. How much did you get?—A. I got—

Q. How much was the total sale price for your units?—A. Oh, somewhere around about \$1,000,000.

Q. The reason I ask you that is it has been rumoured around quite a bit as to the millions you got?—A. Well, that helps my credit, sir. The total amount paid if I remember, speaking again from memory, for mine and the people who gave me proxies amounted to over \$3,000,000.

Now, that statement was not correct?—A. I do not want to withdraw that statement.

Q. I am pointing out to you wherein it was incorrect, because you now say that those shares were not yours and that half of them belonged to Mr. Mitchell?—A. I do not think I said that.

Q. I have read to you what he said?—A. Did not I tell you what my profit was?

Q. Yes, but Mr. Griffith comes along and says that the books show an entirely different state of affairs, and it is only then that we find out, by bringing you here to-day and asking you these questions, that Mitchell was interested along with you?—A. You did not ask me that.

Q. How did I know who was interested with you?—A. I do not know. What I understood you wanted to get at, and what I tried to give you to the best of my knowledge and belief—and I am very sorry if I did not do it properly—was the total profit made by F. P. Jones.

Q. I think it is to be regretted very much that you were not more frank, having regard to your first name. (No answer).

By Mr. Lennox:

Q. Then:—

Q. And that cost you how much?—A. That cost me in actual cash \$190,000 and a liability of \$100,000.

Is that statement correct?—A. I ask permission to correct that, because it is a statement I should not have made.

Q. Then:—

Q. So you put \$190,000 plus the security?—A. I put up \$190,000 in cash and a security to the bank of \$100,000.

A. That is what I asked permission to correct. I have forgotten at the time that I was reimbursed as to half of that.

By Mr. White:

Q. You forgot a mere trifle of \$95,000? (No answer).

By Mr. Lennox:

Q. Is it not a fact that you did not want the committee to know that Mr. Mitchell had any interest in these shares?—A. No. I thought you would ask about anything you wanted to know, and I answered you to the best of my knowledge. You asked me who held these shares.

By Mr. White:

Q. I will quote the question again so as to get the continuity and enable the committee to recall what you did say:—

Q. The reason I ask you that is it has been rumoured around quite a bit as to the millions you got?—A. Well, that helps my credit, sir. The total amount paid if I remember, speaking again from memory, for mine and the people who gave me proxies amounted to over \$3,000,000.

I suggest to you that that statement was not in accordance with the facts, because you did not get \$3,000,000 for your shares, and those of the persons who gave you proxies. On the contrary, you got \$3,000,000 for shares which were owned by the Hon. Mr. Mitchell and yourself, you having no proxy from Mitchell at all?—A. Excuse me—

Q. Just a minute—No proxy being required because the shares stood in your name?—A. I am not able to debate this matter with you, but may I say that I told you the \$500,000 had been transferred to Mr. Mitchell before we sold, and Mr. Mitchell did give me a proxy.

By Hon. Mr. Mackenzie:

Q. He was there as the holder of \$500,000 as your undisclosed partner? (No Answer).

By Mr. White:

Q. With respect to the 1,100 shares you did not need any proxy?—A. I needed—

Q. I am talking about the proxy.—A. The 1,100 shares?

Q. Yes.—A. He gave me the proxy.

Q. I suggest to you that you tried to create the impression in the minds of the committee that this \$3,000,000 was received by you in respect to your own shares and in respect to the shares as to which you had proxies, because that is your own plain statement?—A. I think not.

Mr. MONTGOMERY: What is the object of this discussion? We have the facts now.

Hon. Mr. MACKENZIE: Thanks to ourselves.

By Mr. White:

Q. Let me read to you what you said:—

Q. But individually your share was \$1,000,000?—A. I received about \$1,000,000 or \$1,075,000.

—A. Less the deduction. Do you expect me to carry all those figures in my head?

Q. I did expect, and I think the committee expected that you would be frank enough to tell us who your partner was in this transaction.—A. You never asked me.

Q. I did not know enough to ask you. As soon as I found out it did not take me long to ask you?—A. I answered your questions.

Q. Listen to this:—

Q. And that cost you how much?—A. That cost me in actual cash \$190,000 and a liability of \$100,000.

Now, that is not a fact?—A. I asked permission to correct that.

Q. Is it a fact?—A. Yes and no. I actually disbursed \$190,000, and was reimbursed and forgot to deduct the reimbursement.

Q. Then:—

Q. So you put up \$190,000 plus the security?—A. I put up \$190,000 in cash and a security to the bank of \$100,000?

A. Yes.

By Hon. Mr. Mackenzie:

Q. You still say that is correct?—A. I say it, with the limitation that I forgot that I was reimbursed for the \$95,000.

By Mr. Lennox:

Q. Speaking for myself as a member of the committee, the impression I got was that you had paid \$190,000 in cash and had gone security to the bank for another \$100,000, and that your total personal liability was \$290,000?—A. I am very sorry if I gave you that impression. What I wanted to tell you was that I did not intend to say that, because I was reimbursed. I looked at what I put up, but I forgot that I was reimbursed.

Mr. JACOBS: To my mind it does not make a particle of difference.

By Sir Eugène Fiset:

Q. In the amount you mentioned in your evidence did you include the amount that Mr. Mitchell had in his own name?—A. Yes.

Q. So you had proxies for \$500,000 plus 1,100 shares?—A. Yes.

Mr. WHITE: He had no proxy for the 1,100 shares.

The WITNESS: I will not say I had a proxy for 1,100 shares.

Mr. LENNOX: I think you should be fair to Mr. Jones in that regard.

Mr. WHITE: Oh, yes.

Q. Then let me read to you from page 384 of the proceedings:—

Q. Do you remember any of those who gave you proxies at that meeting, any of the individual share owners?—A. I cannot say, but the records will show that undoubtedly.

By the Chairman:

Q. You surely remember some of them, Mr. Jones?—A. I could remember some, but the trouble with that, sir, if I may say, is this, if you do not specify completely it is worse than no specification.

By Mr. White:

Q. Do not let that worry you, if you can tell us those who you remember, or some of those, we will be obliged?—A. Well, I really cannot tell you anything that will be sufficient without the records.

Q. Cannot you remember one?—A. Yes, I remember one.

Q. Let us have that one?—A. The Hon. George Murray's son gave me his proxy. I remember that because I remember the old gentleman talking it over with me.

Q. Anybody else?—A. Oh, yes, there were a lot of others. Now, I am asking you if, when you made those answers, you had not present in your mind the fact that Mr. Mitchell had given you a proxy?—A. If I had, I could not tell you the amount.

Q. I am not asking you that. Tell the committee frankly if you remember on that occasion any other persons who had given you proxies? You told us to-day that Mr. Mitchell had given you a proxy for 500 shares?—A. And I did not know that until I went down again and found it out.

Q. You did not know?—A. No.

Q. But you knew all the time that Mr. Mitchell was equally interested with you in this venture?—A. Absolutely.

Sir EUGÈNE Fiset: Mr. Jones has mentioned who was interested in this matter. He was sincere to that extent, at least.

Mr. LENNOX: The records show that Mr. Mitchell was the owner of 500 shares on the 23rd May.

Hon. Mr. MACKENZIE: There was no complaint on that score.

Mr. LENNOX: The records do not help us without the explanation.

By the Chairman:

Q. Farther down on page 384 of the proceedings you were asked and answered the following question:—

Q. The only ones you took care of were those who trusted in you with their proxies?—A. Absolutely.

Q. You only remember one name?—A. Only that one particular name, and that is caused by having discussed it with a great personal friend of mine, and that is George Murray.

What do you say as to that?—A. I think that is absolutely correct, Mr. Chairman. I could not have told you the shares that Mitchell had got delivery of at that time.

By Mr. Lennox:

Q. You are only quibbling there. We are asking you if he had any interest in it?—A. I do not think it is fair to me to say I was quibbling. I was telling you of the shares I owned and the profit I made.

By Mr. White:

Q. Have you told us the whole story yet?—A. I think I made it clear. I hope I have made it clear that my entire interest was in 1,600 shares personally.

Q. Did you own those 1,600 shares personally?—A. Yes.

Q. I suggest to you that you held some shares for some other persons than whom you have told us?—A. I told you the other day there were shares in my name that did not belong to me, and I tell you that now.

Q. And I suggest to you that you did not personally make a profit of \$785,000?—A. I mentioned that before.

Q. But that there were others interested in that profit, whose names you have given us?—A. You are entirely wrong.

By Hon. Mr. Mackenzie:

Q. That is quite definite, at any rate?—A. I do not like the insinuation, and I resent it.

Mr. WHITE: I have a duty to perform before this committee.

Mr. JACOBS: Have you got all you want from the witness?

Mr. WHITE: I am going to ask him some more questions.

Q. I am again giving you the opportunity to state whether there were any other persons interested with you in this transaction than those whose names you have given to us?—A. Well, from to-day's experience I am sorry to say I will have to ask you to make your question more definite. Do you mean financially interested?

Q. Yes?—A. No, sir.

Mr. LENNOX: "Financially interested" does not mean anything. He may have given shares to somebody.

The WITNESS: I gave nobody any shares.

By The Chairman:

Q. Why the qualified answer? You say: "Do you mean financially interested"? And then you answered, "No, sir." Were they interested in any other way with you?—A. In the profit from those shares, no.

Q. In the project itself?—A. I cannot answer that question.

By Mr. Lennox:

Q. Why?—A. Why? Because undoubtedly all my friends were interested in that way.

Q. Naturally they would be sitting back, gratified at your success?—A. Not at all. May I state this to you: Frank P. Jones owned 1,600 shares for which he paid \$15,000 and \$80,000 of his own money, for which he took a liability of \$100,000. He sold those 1,600 shares at \$550 a share, selling them with the same right that everybody who gave him a proxy had the right to sell, and Frank P. Jones' profit on the difference between the sale price and the actual cash put in was \$785,000. I am not trying to hide anything. Nobody had any financial or any other interest in those shares. They were my own personal property.

By Mr. White:

Q. The late Dr. R. E. Webster of Ottawa—was he interested in it?—A. No.

Q. Not to the extent of \$1?—A. No. If you had asked me that two weeks ago, I would have said I thought he was, but he was not. I think I gave him the opportunity of taking some of mine if he wanted to do so—he was my brother-in-law—but he did not care to go into it. Possibly he thought it was not a good venture.

Q. We have now your unequivocal statement that no other person had any interest in this profit but Jones?—A. Yes; he got it all, nobody else got a cent.

Hon. Mr. MACKENZIE: That is the Scotch in him.

The WITNESS: I am sorry if I have misled you in any way.

By the Chairman:

Q. When you were here before, Mr. Jones, you could remember only the one proxy to George Murray's son?—A. For the amount—that is correct.

Q. And in addition to that, since you were here before your recollection has been refreshed, and you remember that the Hon. Walter Mitchell gave you a proxy for 500 shares?—A. Yes.

Q. During the interval between the time you were here before and to-day do you remember any other proxies?—A. I could give you a complete list now.

Q. I would like to have it?—A. I am very sorry if I gave you a wrong impression the other day; it was because I could not give it complete. I have got it in this shape, and probably I had better give it in this shape first.

The CHAIRMAN: Read it into the records.

WITNESS: I put in what I turned into the Bank of Commerce, delivered on demand:—

F. P. Jones.. . . .	400*
F. P. Jones.. . . .	1,100
W. Mitchell.. . . .	250
Credit General du Canada.. . . .	1,600
J. R. Lefebvre.. . . .	1,600
F. P. Jones.. . . .	2,000
Another order to the Bank of Commerce deposited..	250
Total.. . . .	7,250

*Part-interests

In addition to that I had proxies from Clarke, Marlin and Company for three, John Statler 400, D. S. Cassels Company one, A. G. Parrish one, Fitzpatrick and Parrish two. In addition to that I had proxies for another 407 shares who did not desire to sell, so my total proxies were 7,657. Instead of 7,200, actually 6,900 were sold to Mr. Sweezey, because 650 of the Credit General did not go through and were kept.

By Mr. White:

Q. Did you know who the Credit General shares were held for?—A. Not at all; they did not go through. I did not know. I never asked and did not know.

Q. Do you now know?—A. I have an idea. I would not swear to it.

Q. What is your opinion?—A. I think they were owned by Senator Raymond.

By Hon. Mr. Mackenzie:

Q. Did not they go through?—A. No. Credit General—I am not distinct whether he gave me the cheque. I think he gave it to me, because the amount Sweezey paid me, \$3,790,000—I want to make perfectly clear—the shares owned by Jones and shares with proxies, and shares in Jones' name—\$3,795,000 of which 1,600 is for J. P. Jones.

By the Chairman:

Q. And 1,600 for the Honourable Walter Mitchell?—A. I believe that is correct, sir: yes. 1,100 I deposited.

By Hon. Mr. Mackenzie:

Q. There were 500 on the books?—A. Yes, that is quite correct.

Q. I understand you to say that the Credit General shares were sold, except 350?—A. That is my belief—practically all but 350, purchased back.

By Mr. Lennox:

Q. I am puzzled about those 500 shares. Why would they be entered on the books?—A. Mitchell's?

Q. Yes. He owned 1,600?—A. Yes.

Q. Why were not the 1,600 entered in the books?—A. I don't know. I do know. I think for one reason why some of them were—I think he borrowed some money from the bank and put it up as collateral. I do not know that I surmised

that, because there were 250 which the Bank of Commerce turned over and paid for.

Q. That is not unusual.

Hon. Mr. MACKENZIE: No, not at all.

WITNESS: I cannot answer that. That is the best of my belief. Mr. Mitchell paid dollar for dollar for every share I paid.

The CHAIRMAN: Have you any other questions to ask Mr. Jones?

By Mr. White:

Q. Who got the cash and shares for the Perron part interests?—A. The Perron part interests? He got them—he did not get the shares, he got the cash.

Q. Did he sell at the time—at the same time you did?—A. Yes, sir. I telephoned and asked him whether he wanted to sell or not. He said he would let me know, and he said, “I will do whatever you do with yours.”

Q. You got the cash and sent your cheque to Mr. Perron?—A. Yes.

By Mr. Jacobs:

Q. Mr. Perron was your attorney?—A. Yes, and furthermore he was a director of the Shawenegan Company, and very much opposed to us. My original idea in going to him was that my conception of this thing was to be an operating company, and I went to Perron because I thought I could see where the Shawenegan Company and our company could make an arrangement which would be advantageous to both of us, and Perron was always antagonistic, fighting for Shawenegan. What I wanted was for Shawenegan to buy some power from us. I wanted Shawenegan to sell the distributing lines in Beauharnois and vicinity to us. I wanted Shawenegan then to take a block of the bonds and stock and help me finance them—in addition, between them, to purchase from Shawenegan—if it could be arranged—the Canada Power Transmission lines and their plant, provided we could get the water diverted from that low height through to our high height. That was my idea of the operating unit, and I discussed that with Perron over and over again, he was always fighting me.

Q. You thought it good business to have Mr. Perron as a shareholder of the company?—A. I do not think we had Mr. Perron as a shareholder.

Q. He was not a shareholder?—A. No sir.

Q. He bought those units?—A. He came to me and said would I sell some. His interests were entirely opposed to us.

By the Chairman:

Q. If that is the fact, Mr. Jones, can you give the committee any reason why Mr. Perron withdrew his opposition to your company?—A. I never knew he did.

Q. You succeeded in getting the charter from the Province of Quebec?—A. In spite of Mr. Perron.

By Hon. Mr. Mackenzie:

Q. Did the Shawenegan people oppose you in Quebec?—A. Oh, yes. I do not think we had a stronger opponent than Perron. I will say this—it may be flattering myself—but I do think that I weakened Perron's position in the fact that ours was the best plan. I think I got that into his head—nothing more. Not only that, but the shares of Perron's clients they paid more for than I paid for mine.

By Mr. White:

Q. How much did they pay?—A. \$50 a share.

By the Chairman:

Q. And you paid?—A. \$30.

By Mr. Jacobs:

Q. Mr. Perron was an old friend of yours?—A. I have known Perron and we have done business together and fought—

Q. He was a co-member of yours in the Canada Cement Company?—A. Yes sir.

The CHAIRMAN: The total amount that Mr. Sweezey paid you was \$3,785,000.

Mr. WHITE: \$3,795,000.

By the Chairman:

Q. Was that paid in one cheque?—A. No sir.

Q. How was that paid?—A. That was paid in various cheques. The agreement with Mr. Sweezey—speaking from memory this is substantially correct—was that he could take up shares and deposit first \$250,000 which he was to apply on the last lot taken up. Then any money paid in at \$550 he could pick up out of the bank.

Q. Over what period of time?—A. The period was short, I could not tell you, sir.

By Mr. Lennox:

Q. It is here?—A. It is there. I think probably two months or something like that.

By the Chairman:

Q. I assume that the certificates representing the shares were placed in some bank or trust company?—A. The Bank of Commerce.

Q. With instructions?—A. With instructions to deliver to Mr. Sweezey when he paid \$550 a share, or paid in full every time he took some—my margin of security was better.

Q. Were the shares that were placed in the Canadian Bank of Commerce all in one pool so that you would know how to make a pro rata distinction in case you failed?—A. As far as I am concerned, everybody who sold to Mr. Sweezey got \$550, no more or no less, and everybody alike.

Q. But supposing that Mr. Sweezey had paid a million dollars, and for that million he would be entitled to the appropriate amount—\$550 a share, and at the end of that period he failed to pay any more?—A. I did not distribute, sir.

Q. Had the time come when you would have had to distribute, before the total amount was paid?—A. It would be pro rata.

Q. Amongst you all?—A. If I put in 60 shares and Sweezey only took up 50, it would have been for 30 shares.

Q. And those were the kind and character of the instructions that were given to the Bank?—A. The instructions to the bank—all these things I deposited in the bank with certificates, with a letter that any time Mr. Sweezey paid \$550 in multiple they could deliver to him that number of shares.

Q. Out of the general pool of the shares?—A. Yes. Mr. Sweezey had paid to me \$250,000, but no part of that money applied except the last shares.

Q. That was a guarantee?—A. That was a guarantee.

Q. You and you alone made the arrangement with the Bank of Commerce?—A. Yes.

Q. The money then all went to your credit?—A. In the Bank of Commerce.

Q. And those associated with you depended on you to make the distribution whenever the time for distribution came?—A. Yes.

Q. And if Mr. Sweezey failed in the case of the purchase he would only be entitled to shares which would be paid for, and he would take them proportionately out of the various owners' shares according to their interest, that were deposited with the bank?—A. Not quite correct, sir. Suppose, for the sake of argument Mr. Sweezey had taken out half the shares and then failed, everybody would have sold half their shares, and there would have been deposited \$250,000 to be divided pro rata.

By Mr. Lennox:

Q. I see that they were issued in two lots, one for 1,400 on the 19th of August and the other for 2,000 on the 1st of October?—A. Yes. I do not quite follow that.

Q. To Mr. Sweezey?—A. He got more than that, sir.

Mr. GRIFFITH: Those are the ones transferred from Mr. Jones' own account.

The WITNESS: In my name; oh yes.

Committee adjourned to meet at 3 p.m.

AFTERNOON SESSION

On resuming at 3 o'clock p.m.

Mr. WHITE: Is Mr. Dodd here? (No response).

I understand that the chairman gave Mr. Dodd permission to go to Montreal, and he is not likely to be back until 4 o'clock.

Is Senator Raymond here?

SENATOR RAYMOND: Yes.

Mr. JACOBS: Before you call Senator Raymond, I desire to make a statement to qualify something which I stated yesterday, which is to be found at page 754 of the Evidence. I said:—

....Mr. Montgomery, pardon me, this matter came before the Parliament of Canada, and there was a full debate upon it in the session of 1928 when the Order in Council (No. 422) was passed, and it was placed on the table of Parliament and fully discussed, and the intention of the Government, or the intention of Parliament in connection thereto was fully discussed.

I have looked up the debates for that day, and I find that an announcement was made by Hon. Mr. Elliott, who was at that time Minister of Public Works, mentioning the approval of the plans and site under the Navigable Waters Protection Act. A full statement is made by Mr. Elliott at page 785 of the Debates of March 8, 1929.

Hon. Mr. MACKENZIE: Is that the date the order in council was signed?

Mr. JACOBS: Yes. It was an announcement that the Governor in Council had signed the order in council on that date. It was brought into the House, but I was incorrect when I stated that there was a full debate. A few questions were asked by the Hon. Mr. Guthrie and Mr. Garland. I wish to have that correction made because I do not want to fall into the bad graces of Mr. White.

Mr. WHITE: That is very serious. I thought you said it was a "full-dress debate"?

Mr. JACOBS: Yes, and it was an undress debate.

Hon. Mr. MACKENZIE: The important point is that the statement was made by the Minister on the day that the order in council was signed.

Mr. JACOBS: There was no debate. On the day it was signed notice was given to Parliament of the signing of the order in council. Apparently at that time they did not consider it of sufficient importance to have a debate upon it.

Hon. Mr. MACKENZIE: I beg your pardon. Notice was given by Mr. Church of Toronto.

The CHAIRMAN: Mr. Jacobs said there was a full debate.

Mr. WHITE: A "full-dress debate."

The CHAIRMAN: The notes say: ". . . . and there was a full debate upon it. . . ."

Mr. JACOBS: The "dress" was apparently eliminated.

Mr. WHITE: The word "dress" is quite insignificant in these days anyway, so it does not matter.

Call Senator Raymond. Mr. Morin will examine Senator Raymond, Mr. Chairman.

Senator DONAT RAYMOND, sworn.

Senator RAYMOND: Mr. Chairman, I would prefer to give my evidence in the French language, but in view of the fact that some of the members of the committee may not be familiar with French I will try to do the best I can in English.

The CHAIRMAN: Thank you.

Mr. WHITE: If there is any question about Senator Raymond's meaning, Mr. Morin could translate for us.

By Mr. Morin:

Q. You prefer, for the convenience of the members of the committee, to give your evidence in English?—A. Exactly.

Q. Could you give us the exact date of your subscription to the Beauharnois Syndicate?—A. I think it was in the beginning of April, 1927.

Q. The date we have here is the 1st April, 1927?—A. Yes.

Q. To whom did you give this subscription?—A. To the Credit General du Canada.

Q. At whose request?—A. I was spoken to, if I remember rightly, by Mr. Mitchell and Mr. Jones.

Q. The Hon. Mr. Mitchell and Mr. Jones?—A. Yes; and then I was asked if I would be prepared to go with them into this new venture. After consideration I said yes, and I was asked to see Mr. Griffith. I found out who was the secretary of the syndicate and I told him I was prepared to subscribe for an 800 part interest in the syndicate at the time.

By Mr. Lennox:

Q. That is the first syndicate?—A. Yes.

By Mr. Morin:

Q. I understand that at that date the Hon. Mr. Mitchell and Mr. Jones were interested?—A. I presume so.

Q. They told you so?—A. Yes.

Q. Did they tell you the extent of their interest in this company?—A. No.

Q. Did they tell you who the other interested persons were, the other subscribers?—A. No.

Q. They must have mentioned to you the name of the Dominion Securities Corporation?—A. No.

Q. So the only parties who were interested were Sweezy, Jones and Mitchell?—A. I did not know about Sweezy then. They asked me if I would go in with them, and I said yes.

Q. Those are the only parties who were first mentioned to you as being connected with that deal—Jones and Mitchell?—A. Yes.

Q. Tell me the date of this meeting with Jones and Mitchell.—A. I presume it might have been a few days before I subscribed to the syndicate.

Q. And before this date you had no further knowledge of this scheme going on? Nobody had mentioned it to you?—A. No, I think I was away; I was not in Canada; I suppose I must have got that about the middle of March.

Q. Of what year?—A. 1927.

Q. In the winter of 1927 these persons had been interested before the Quebec Legislature in connection with an amendment to their charter. Do you know that?—A. Only through the newspapers; I was never spoken to about it.

Q. They did not mention to you that their demand had been rejected by the Legislature?—A. I did not make any inquiries; I knew something had taken place the year before I think.

Q. What did they tell you had taken place before the Quebec Legislature?—A. I did not go into any details.

Q. As a matter of fact, you know that in 1927 an amendment had been rejected by the Quebec Legislature?—A. I do not know that I was aware of the fact at the time, because, as I have mentioned, I was away in Florida; I spent the winter at Palm Beach, and got back about the middle of March.

Q. Did they tell you that they intended to go back to the Legislature during the next session in the winter of 1928?—A. Yes.

Mr. CANNON: Mr. Chairman, I desire to have my objection to these questions noted.

The CHAIRMAN: Very well.

By Mr. Morin:

Q. When they received your subscription they told you they would go back to the Quebec Legislature?—A. I do not know what procedure they followed. I was confident—

Q. They asked you to—

Mr. LENNOX: Let the witness complete his answer.

By Mr. Morin:

Q. Yes?—A. I had confidence in Jones as a business man, and I had confidence in Mitchell and was very pleased to be associated with them.

Q. Was it understood that it was to be moved before the Quebec Legislature in the next winter?—A. I understood that they had some amendment to be dealt with by the Quebec Legislature, and they told me they would ask for it.

Q. And, as a matter of fact, they went back with you?—A. Not with me, because I never went to Quebec with them.

Q. You did subscribe for 800 units, and you paid how much?—A. For the 800 units I paid \$30,000.

Q. Of your own money?—A. My own money.

Q. Why didn't you put those units in your own name?—A. Because I have adopted the principle that I do not want to put my name to any new venture. I am willing to gamble with my money, but I do not want my friends to gamble

with my name, and for that reason I always do subscribe through a trust company or a broker's name in all new ventures.

Q. Is that your only reason?—A. That is the only reason.

Q. You did not inquire at the time if it was proper for a Senator to become interested in such a company, having such connections?—A. Not at all; and I did not feel that it had anything to do with it, because it was in Quebec and not in Ottawa.

Q. At that time you were also interested in the Transportation and Power Company?—A. Not in my name.

Q. Not in your name either?—A. No. If you refer to this company, I may state that I was brought a certificate in my name some years ago, and for the same reason I refused to accept it under my name, and said: "No; put it in a broker's name," and it is still in the same broker's name and was never in my name.

Q. You did subscribe?—A. Yes.

Q. Did you subscribe for yourself alone?—A. For myself alone.

Q. You had no partners?—A. No partner.

Q. No partners before or after?—A. None before or after.

Q. You never split your shares with anybody in the party?—A. "Anybody in the party"?

Q. Did any of these parties come in with you in this deal?—A. No.

Q. So it was quite personal to you?—A. Personal to me.

Q. They were not held in trust for anybody else in your name, those shares in the Credit General du Canada?—A. No.

Q. All these shares were bought with your own money?—A. Yes.

Q. And all the profits were yours?—A. Were mine.

Q. And now you say you did not go to Quebec about the amendment by the Quebec Legislature in 1928?—A. If I remember rightly I left Montreal on December 18, and spent the winter at Palm Beach, and I know that in 1928 I did not go to Quebec. From January to June, I mean.

By Mr. Lennox:

Q. 1927?—A. No, 1928; and I did not go in 1927 either.

By Mr. Morin:

Q. After this amendment was secured in Quebec you had to come to Ottawa? Your company made some representations to Ottawa about granting the diversion of water, during the Dunning régime?—A. So I understand.

Q. You knew all that was done about that?—A. I knew very little about it. My name did not appear as a party to the Beauharnois scheme, and I said as little about it as possible and never came purposely to either Quebec or Ottawa for that purpose.

Q. Have you ever interviewed any man of influence in Ottawa in connection with this application?—A. No, sir; not direct.

Q. I beg your pardon?—A. No, sir.

Q. You didn't mention it to any Minister?—A. If I did mention it, they did not know I was interested in it. I might have spoken about it, because the paper was full of it; but I never intimated that I had an interest in it.

Q. You never were syndicate manager?—A. I never was.

Q. Did you meet Senator McDougald in connection with this deal?—A. I do not think so, Senator; I never knew he had anything to do with it.

Q. When did you first hear that Senator McDougald was interested?—A. I heard in 1919 that Senator McDougald had something to do with it, but it was only hearsay and I did not know anything about it; I had never been

to the company's office or to any directors' meeting; I was not a director; it is only hearsay; I was not positive about it.

Q. And you say you had nothing to do with this company except to subscribe and pay for those shares?—A. Yes, with my money.

Q. And you did nothing to push the deal?—A. I did not do anything.

Q. Now, I understand that you sold your shares with Mr. Jones?—A. Yes, sir.

Q. You had given your proxy to Mr. Jones?—A. Mr. Jones had spoken to me about the financing of it, and about what Mr. Swezey intended to do, and I shared with Mr. Jones his idea about the financing of the scheme, and I suppose he had a little misunderstanding and he asked me if I would go along with him, that the thing was going to come to a show-down and he would like to have my proxy in order to vote my shares or if it came to selling the shares, which we had discussed, he was willing to pay them \$550, to buy their part at \$550, or he would take his interest along with those sharing his piece at \$550, and I gave him my proxy.

Q. So that the sale by Jones of his shares and yours and the other person connected with him—how many shares did you have in the name of the Credit General du Canada?—A. 1,600.

Q. 1,600?—A. Yes, which were all for me, were my shares.

Q. Your first subscription was 800 in the first syndicate?—A. Yes, and in April, 1928, the old company, which, if I remember rightly, was called the Marquette Investment Corporation, sold to the Beauharnois Power Syndicate, giving the Beauharnois Power Syndicate two shares for one, which made 1,600 shares for me with the Credit General du Canada, which was my nominee.

By Mr. White:

Q. That is not quite correct. The first syndicate was the Beauharnois Syndicate, not the Marquette?—A. I was under the impression that it was Marquette.

Q. The Beauharnois Syndicate sold out to the Beauharnois Power Syndicate? (No answer.)

By Mr. Morin:

Q. But you then had the right to subscribe to the new shares in the Beauharnois Power Syndicate?—A. After that we were given the right, about the 20th or the middle of May, to subscribe \$100 a share for an equal amount, and I asked the Credit General du Canada to transfer their right to J. R. Lefebvre who was my nominee in the matter.

By Mr. White:

Q. Mr. Lefebvre had no personal interest?—A. None whatever.

Q. None besides being your own nominee?—A. None whatever; he was in my office at that time.

Q. So he subscribed to the second syndicate 1,600 shares for you?—A. Yes.

Q. And you paid for them?—A. Yes.

Q. And you got all the profit?—A. Yes.

Q. How much money did you have invested in this syndicate?—A. I had \$190,000.

Q. All paid by you?—A. Yes.

Q. Nobody interested except yourself?—A. Do you mean in my shares?

Q. Yes?—A. In my shares there was nobody interested but myself.

Q. And did you sell all your shares with Mr. Jones?—A. I sold all my shares with Mr. Jones; all those shares and proxies given to Mr. Jones were sold together.

Q. So you realized the same profits as Mr. Jones? (No answer.)

Mr. WHITE: Twice as much.

By Mr. Morin:

Q. Twice as much?—A. No. I want you to follow me, Mr. Morin.

Q. Yes?—A. Some time in July, although they appeared in my name, I sold some shares to somebody else at the same price that I paid.

Q. To whom?—A. To Mr. Simard of Montreal.

Q. Give us the whole history?—A. I am giving you the whole history. First they were in my name and sold for my account. If you were to ask me how much money I realized I would tell you how much money I realized.

Q. Please?—A. I think, as I mentioned, I said 2,000 shares of the amount that was left to me. In the proxy given to Mr. Jones, entirely under my name, every month or every two months, we were given an account. I think it was \$16,000 a month or two months. I don't remember. It was all the calls and when called I did not want to lose the identity of those shares and I gave the proxy to Mr. Jones for the 3,200. Now, out of that there were 2,000 that were not mine, that I had sold in the month of July, I think, to Mr. Simard.

By the Chairman:

Q. The whole 2,000 to Simard?—A. The whole 2,000 to Simard, making the total cost to me \$190,000, leaving me 1,200 shares which did not cost me a cent.

By Mr. White:

Q. Ten thousand to the good?—A. Plus 10,000, so my profit would be \$670,000. Now, that is not my exact profit. I should say that my profit is about \$476,950, because I re-subscribed in the Beauharnois for 351 shares at \$550 for which I gave my cheque for \$193,050. So I have made out of the deal \$476,950, plus an interest in 351 shares in the Beauharnois Syndicate.

By the Chairman:

Q. Which you still have?—A. Which I still have.

By Mr. White:

Q. In the Beauharnois Power Syndicate?—A. In the Beauharnois Power Syndicate. I don't know if those figures are exact but you could check them up.

The CHAIRMAN: Yes, I think that is right.

By Mr. Morin:

Q. Do you still hold those shares?—A. I still hold those shares in my name.

By Hon. Mr. Mackenzie:

Q. 351?—No. To date I think it is 14,040 shares of common stock which appear in my name.

By the Chairman:

Q. You subscribed for, in the Power Syndicate, 351 part-interests?—A. Exactly.

By Mr. Morin:

Q. When did you subscribe for those 351 shares in the Power Syndicate?—A. If I remember right, Mr. Jones had a proxy for about 6,900, and he had given the option to Mr. Sweezey to buy them. There were some shares that

came in after that, with Mr. Jones' plan of financing, which went in with the proxies to Mr. Jones. There were, I think, 351 shares over. I thought that I would like to be connected for sentiment sake in the Beauharnois Development as it is my native place. My father still lives there, and my brother represents the constituency, and I thought it was in the interests of the people of Beauharnois and the province of Quebec, and I felt that I would like to have my name connected with it, and I took those shares in my name.

By Mr. Lennox:

Q. What did you pay for those, Senator?—A. I paid \$550.

By the Chairman:

Q. That is, for 351?—A. I think it amounts to \$193,050.

By Mr. Morin:

Q. You do not remember the exact date of the subscription?—A. Which subscription?

Q. The 351.—A. I think it was October 1st or 2nd that I gave the proxy and deposited the shares to Mr. Jones, and the amount that Mr. Sweezey paid out at the bank was paid out in instalments, and I do not remember whether it was in the latter part of the month, but it was during that transaction. Mr. Jones had deposited and as they paid a certain amount there were a certain amount of shares to be issued, and when it came to the latter part he said, "Well I know someone who would like to subscribe for 350, will you sell it to them instead of you taking them?" He said yes, and that is when I put my name, when I bought the 351 shares.

Q. Do you know from whom you got those shares?—A. Those shares?

Q. Yes.—A. They might have been my own for all I know. They were a part of the shares that had been deposited by Mr. Jones.

Q. You had no discussion about the origin of those 350 shares?—A. None whatever.

Q. According to the books, we have a note here that these shares came from Mr. Mitchell. Could you explain that?—A. Well, they might have come from anyone. They were in the pool. There were 6,900 plus 351 which makes 7,251, and they might have been anybody's shares. I did not know where they came from but they were all the same pool agreement, the amount of shares that were in the pool agreement deposited at the bank.

By Mr. White:

Q. Well then, in the result, with regard to those particular shares what you bought were part-interests in the Syndicate. You received \$550 for yours?—A. And I paid back \$550.

Q. And you paid back \$550, so that the net result was 40 shares per unit?—A. Exactly.

The CHAIRMAN: And there was some cash accompanying—

Mr. WHITE: The \$550 that he paid balanced off the other. Did not you get \$150 a share in addition in cash.

By the Chairman

Q. When the shares were transferred into Beauharnois Power Corporation shares?—A. I must have forgotten that. That is one thing that just slipped me. I know that I have 14,040 shares of common shares now, preferred stock—

Q. 550 times 150?—A. 40 times 351, because was it not 40 shares for each unit? And as I had bought 351 it must be 40 times which comes to 14,040 shares. Now, no doubt I received the same as the others.

Q. \$150 per unit?—A. I omitted the \$150. I do not know whether it was preferred stock or not. But if my memory serves me right it is \$150. I am sorry I did not think of the other.

Q. Would that have to be added to the profit which you told us you made?—A. Naturally it would be. As I mentioned before that my profit would be \$476,950 plus the 350 units. Is not that what I said there?

By Mr. White:

Q. A total of \$529,600.

The CHAIRMAN: 351 multiplied by 150.

The WITNESS: Yes.

By the Chairman:

Q. And adding that to the \$476,950 gives the total cash profit, and in addition to that the Senator holds 14,040 shares of the common stock?—A. Exactly.

By Mr. White:

Q. And you still hold all of those shares?—A. I do.

Q. You became interested, you told us, in 1927?—A. In 1927.

Q. And I suppose having invested \$30,000 in the first instance you were interested to know how your investment was coming along, naturally?—A. Pardon me, the first investment was \$15,000.

Q. No, 800 shares did you not get?—A. Yes, for which I paid \$15,000.

Q. Yes, but you agreed to pay \$30,000.—A. Yes, I agreed to pay \$30,000.

Q. And your agreement was good, I understand?—A. Exactly.

Q. So that, as I say, you were interested to the extent of \$30,000?—A. Yes, sir.

Q. And I suppose from time to time you were interested in knowing how your investment was coming along?—A. Yes, sir.

Q. And to whom did you go for information as to what was doing in connection with the syndicate?—A. My information generally came from Mr. Griffith as the Secretary.

Q. I see, and I suppose he told you that there was a very considerable opposition to the scheme. If I remember right, they had to go back to Quebec in 1928?—A. Yes, they had to go back to Quebec in 1928.

Q. Yes, and we were told here by Mr. Swezey that there were enemies on all sides, and that a very bitter fight was put up both in Quebec and here in Ottawa, and I am asking you, not in respect to Quebec because that is in another province, but if you knew that there was considerable opposition here in Ottawa?—A. I did.

Q. And at that time,—I take it you had in the meantime invested some more money, to the total extent of \$190,000, as you have told us, so that you had a very considerable interest in this project?—A. Yes, sir.

Q. And you were in Ottawa from time to time?—A. During the session.

Q. Yes, and other times I suppose?—A. No.

Q. Never here except during the session?—A. I am never here except during the session.

Q. I suppose it would only be fair to say that you were on friendly terms with members of the Cabinet?—A. I have no doubt that I was. I hope so.

Hon. Mr. MACKENZIE: No crime in that, Mr. White.

Mr. WHITE: No, it is a virtue.

Mr. JACOBS: He was so friendly that he was able to pull down a senatorship.

Mr. WHITE: Well, I should think that was fairly obvious.

Hon. Mr. MACKENZIE: If it is obvious it is not necessary to comment on it.

Mr. WHITE: I said, I think, fairly obvious.

Hon. Mr. MACKENZIE: I think it is completely obvious.

By Mr. White:

Q. Then are we to understand you to say, that having this interest in this project and knowing that there was a very strong opposition, and a big fight being put up, you never turned a hand to help it at all?—A. I do not know if there was anything in my power to do towards helping it.

Q. Well, you could help?—A. I thought the only help that I could give was to put my money in.

Q. But you were in danger of losing your money if approval was not got of the plans?—A. That may be the reason why I sold 2,000 shares.

Q. Well, was it?—A. It might be the reason. I felt—

Q. It really was not the reason though, was it?—A. I beg your pardon, that is it exactly, just what you say, that there was so much objection to it, in which I took no part one way or the other, and once I got the offer, someone wanted to be interested, I was very glad to liquidate the amount of shares that I did.

Q. You made a mistake, did you not?—A. It is not the first one I have made. I wish I could unload on some other schemes that I am in on.

Q. If you could only have sold something else instead of those. However, are you fairly telling us that although you had this interest in this project, of which you have told us, and knowing that there was a very great opposition to it, and a big fight here in Ottawa, that you never gave a hand at all in any shape or form, or saw no Cabinet Ministers, or no Member of Parliament, or any person of influence to help out on the project, is that it?—A. As I told you before I have never gone there while legislation was on in 1928 or 1929, that is, as far as Quebec is concerned. I came to Ottawa because my duties called me here.

By Hon. Mr. Mackenzie:

Q. When did you come to Ottawa? Do you remember when the session started?—A. I came to Ottawa in 1928 and 1929. I spent the winter in Palm Beach.

Q. When did the session start, the session of 1929, do you recall from memory?—A. I do not recall from memory.

Q. That is, when you came to Ottawa?—A. No, because I think I was in Palm Beach. I came here maybe for the opening and then went back and joined my family and came back to Ottawa about the month of April.

By Mr. White:

Q. I may take it then, from what you say, that we have your unequivocal statement that at no time did you attempt to exert your personal influence on behalf of this project?—A. At no time.

By the Chairman:

Q. Just a few questions, Senator. What date, about, did you apply for the first syndicate units?—A. About the first part of April, 1927.

Q. And then you paid for them at or about the same time I presume?—A. About the same time.

Q. I think I am fair in assuming that before you paid 30,000 into a project of this kind you would make some sort or inquiry as to what assets the

syndicate had?—A. I was told that they had bought the Robert privilege or rights.

Q. Did you know what they were?—A. I knew of them as it was mentioned.

Hon. Mr. MACKENZIE: Do we know yet.

The WITNESS: As it was mentioned, that was in the old Transportation Company twenty years previous, in which I was interested.

By the Chairman:

Q. Then you knew what the Robert rights were?—A. I knew of them. I did not go into any details.

Q. Well, what did you think they were when you paid \$30,000 for units in the syndicate?—A. I thought they had to develop some power, and I knew that, or I was under the impression that if such belonged to Quebec they had it—

Q. We do not need to go into that. What I am coming at is this: You had some acquaintance with the locality of the old feeder ditch where it runs to the St. Louis, and of the rights the Robert heirs claimed to that locality so far as the power was concerned and water; you knew of them?—A. I knew that they had some rights.

Q. And you were born in that locality, and knew the locality.

Mr. JACOBS: He was born on the St. Louis feeder.

The CHAIRMAN: Well, I hope he did not get his feet in the trough.

Q. So I suggest that before putting this amount of money into the project you would make some inquiry to the assets the syndicate owned?—A. No more than they told me. And I had confidence in Mr. Jones as a business man. They told me that they had acquired the rights of Robert. And the amount at that time was so small. It is not the first time that I have invested that amount, or twice that amount or three times that amount without asking, just simply accepting the proposition, and knowing of the confidence I have in the people that were associated with it.

Hon. Mr. MACKENZIE: That is not unusual at all.

The CHAIRMAN: Well, it is just unusual enough that I would like to pursue it a little further.

Hon. Mr. MACKENZIE: That is your privilege.

By the Chairman:

Q. What the syndicate owned at the time you paid for your shares—as I recollect the evidence given here—was an option to purchase the Robert rights?—A. I do not remember offhand whether they had bought the Robert rights or whether it was only an option. I do not recall.

Q. Well, then that is quite satisfactory. But you knew what the Robert rights were claimed to be at that time?—A. I knew that they had some rights. I knew about some rights but I had never gone into details.

Q. I presume as a boy you have walked over the old feeder canal?—A. Yes.

Q. And probably walked up and down the banks of the St. Louis river.

Mr. WHITE: And probably swam in it after school too.

By the Chairman:

Q. Now, I suggest to you that when you put up your \$30,000 you knew that it was not the Robert rights as then defined that would constitute the asset that would ultimately make your \$30,000 good and make profit for you, Senator?—A. Exactly.

Q. Then am I fair in saying that you knew that the Syndicate had to accomplish something more, by the acquisition of rights from Quebec and Ottawa in order to make this speculation good with you?—A. I knew that.

Q. And you were prepared to leave, may I say, the perfection of this service in the hands of Jones and Sweezey?—A. Exactly.

Q. And you were never asked by them to exercise influence—I do not use that “influence” in any sinister sense—in order to assist them to perfect their rights or enlarge them?—A. No.

Q. Now, the 2,000 units you sold to Seymour, did you not sell those to Griffith for Seymour?—A. Griffith or Jones or any of the others, I do not think they knew about it, because I have gone in the syndicate with them—I had confidence in Jones and I did not want to part with those shares.

Q. I thought Mr. Griffith gave evidence about having bought some shares for Seymour?—A. I do not think anybody knew anything about it.

Q. I my memory serves me correctly, there were some Seymour shares that Mr. Griffith bought, and they ultimately went to Senator McDougald.

Q. Do you know anything about them?—A. No, they are not my shares.
Sir EUGENE FISET: It may not be the same Seymour.

Mr. FORSYTHE: I do not think it is the same Seymour.

By the Chairman:

Q. Which Seymour are you referring to, Senator?—A. Joseph Seymour, the contractor. I do not know about the other 1,000 shares, but I know about my 2,000 shares, and the syndicate did not know anything about those shares being sold.

The CHAIRMAN: Is Mr. Griffith here?

HUGH GRIFFITH, recalled.

By the Chairman:

Q. If my recollection serves me correctly, Mr. Griffith, you spoke of some shares which you subscribed for on behalf of Mr. Seymour?—A. That is correct, sir.

Q. Is that the same Seymour that the Senator is referring to?—A. I presume it is from the way he has identified him.

Q. Now, how many shares was it you subscribed for, Mr. Seymour?—A. 1,000.

Q. They have nothing to do with the 2,000 the Senator sold?—A. I did not know until to-day that Seymour had bought them.

Q. That is all right. They have nothing to do with the Senator's shares?—A. Nothing at all.

Q. They were some shares that Senator McDougald took over from Seymour?—A. That is right, sir.

Q. Has Seymour still got the 2,000 shares he bought from Mr. Raymond?—A. No, they were included in the 32,000 of Senator Raymond and Mr. Sweezey at the time the Jones shares were sold.

Senator DONAT RAYMOND, recalled.

By Mr. White:

Q. Senator Raymond, you are a brother of J. Alderic Raymond?—A. Yes, sir.

Q. Is he the representative, or deputy?—A. No, he is not—another brother of mine.

Q. In 1926, was he employed at the Windsor Hotel at Montreal?—A. In 1926? I think he was the secretary—yes, he was at the Windsor Hotel.

Q. That was his address?—A. Yes, that was his address.

Q. On the 14th of October, 1926, Mr. R. O. Sweezey wrote—

Hon. Mr. MACKENZIE: What page?

Mr. WHITE: Page 638.

By Mr. White:

Q. . . . wrote to your brother J. Alderic Raymond as follows in part:—

Further to our conversation regarding the St. Lawrence Power project, in which we are both interested, I may say that though I have been familiar with this situation for some twelve years, it is only during the past twelve months that I have devoted some serious attention to the study of the economic possibilities of this one million horse power development, near the city of Montreal, and on deep water navigation in the St. Lawrence.

Then he goes on,—

To place ourselves in possession of all the rights essential to this undertaking, we should pursue the following course:—

Then he says:—

To acquire the control of the St. Lawrence waterways and Power Company stock.

Then at paragraph 3, he says:—

Enlist with our syndicate two or three individuals, who in addition to providing some cash as their fair share, can assist us in getting our rights extended or enlarged so as to develop the entire available flow of the St. Lawrence at this point. As the whole situation is entirely within the Province of Quebec, our influence has to be exerted only in Canadian political circles—that is at Ottawa and at Quebec.

And further on:—

In connection with personnel of syndicate, I have in mind the individuals we should enlist with us, and although I have been in touch with United States people showing a desire to join, I have hesitated to accept anyone definitely until certain that each and every one is persona grata to all others.

Now, this morning Mr. Sweezey admitted that he had sworn that you were one of the persons he had in mind at the time that he wrote this letter as being one of two or three individuals "who in addition to providing some cash can assist in getting our rights extended;" do I make myself clear?—A. Yes.

Q. In view of that letter, do you still persist in your statement that you did nothing to assist in getting the rights extended?—A. Up to this day—up to this day my brother, J. Alderic Raymond, has never spoken to me in regard to this letter—

Q. That is hardly—A. I am speaking of this letter. If this letter was written to my brother in order to try to influence me in going into this scheme, I am saying that up to this day my brother has never spoken to me in regard to this letter. As far as Mr. Sweezey is concerned, in 1926 I doubt very much that I knew him at all.

Q. That is hardly the point to which I would like you to direct your mind?—A. As far as the letter is concerned, it may have been written in the spirit it is there, but I have never been approached by my brother, and he has never mentioned the fact that he had received this letter.

Q. I am not suggesting that, Senator Raymond. What I am pointing out to you is that obviously at that time, according to the statement which we now have from Mr. Sweezey, you were one of the persons whom he had in mind?—A. I cannot help that.

Q. As those whom he would like to enlist, and for the purpose, as he puts it—"in addition to providing some cash can assist us in getting our rights extended or enlarged." Now, all I am asking you is this: in view of the fact which has now been established that he did have you in mind at that time as one who could assist both with your cash and in getting the rights extended or enlarged, do you still persist in your statement that you have done nothing of the kind?—A. I do.

Mr. LENNOX: Apparently he did not convey his object to the Senator.

The WITNESS: He did not convey any more to me—

Hon. Mr. MACKENZIE: You never saw the letter?

The WITNESS: I never saw the letter.

By Hon. Mr. Mackenzie:

Q. Until you heard of it in this investigation?—A. Yes.

By Mr. White:

Q. Mr. Jones says, in his evidence, at page 391, given before this Select Committee, the following:—

Q. In your work, when you were pressing for the granting of the application, what do you say as to whether or not you were assisted by any Senators?—A. I repeatedly appealed to some, perhaps as I do to anybody else, to do what they could to hurry it up, because it seemed to me it was dragged out—

Q. That is hardly an answer.—A. Well, then, I can say—

Q. What would you say as to whether you were assisted?—A. What do you mean by the word "assisted"?

Q. It is a common English word.—A. Well, my answer is that anybody who took an interest in it and who listened and got his views as to who owned the water, gave us their opinions by way of assistance, otherwise, direct assistance, nobody that I know of.

Q. I see.—A. I certainly asked Senator Raymond over and over again if he could not do something to get some action.

Is that true?—A. No doubt it is true.

Q. I beg your pardon.—A. No doubt it is true that he has asked me.

Q. In spite of his asking you, you did nothing?—A. I did nothing; I do not think I could do anything.

Hon. Mr. MACKENZIE: I think the words "over and over again" explains the whole thing.

Mr. WHITE: I do not think so.

Hon. Mr. MACKENZIE: We differ again.

Mr. WHITE: He may have done something, and was asked to do more.

Hon. Mr. MACKENZIE: It was not very effective, when he was asked so frequently.

Mr. WHITE: It appeared to be effective in March, 1929.

Mr. JACOBS: You seem to be of a very suspicious turn of mind, Mr. White.

Mr. WHITE: In connection with the Beauharnois project, undoubtedly, yes.

Mr. JACOBS: Otherwise you would not be here.

By Mr. Stewart:

Q. Senator, when did you sell those 2,000 shares to Mr. Seymour?—A. I think it was in July, 1928. I am not sure of the month, but it was either July or August, in 1928.

Q. And, then, from July, 1928, until some time in October— —A. October 2.

Q.1929, when the sale was completed, Seymour on an investment of \$200,000, sells out for \$1,100,000, making a profit of \$900,000 in cold cash. He paid you \$200,000?—A. \$200,000, sixteen hundred and five.

Q. For those 2,000 shares?—A. Yes.

Q. He sells out to Mr. Jones at \$550 a share, and he gets \$1,100,000?—A. Exactly.

Q. That is a profit of \$900,000 on an investment in a little over a year?—A. Exactly.

Q. Therefore, he made more money out of it than you did?—A. He did.

Mr. LENNOX: Well, he had more shares.

The WITNESS: He had more risks than I did.

Mr. JACOBS: I think we ought to thank the Senator for coming here and giving his testimony.

The CHAIRMAN: I was just going to do that. Are there any further questions. Well, Senator, we thank you for attending here at the inquiry and giving your evidence. There are no further questions the members of the committee or counsel care to ask you unless you have some questions, Mr. Hellmuth.

Mr. LENNOX: I think the Senator should be commended upon his frankness which was rather different from the action of another Senator.

Mr. JACOBS: I do not think it is the duty of a member of the House of Commons to make any comments on the conduct of a member of the Senate. I understand there are strict rules with regard to that.

Mr. MACKENZIE: We sometimes break rules in the House of Commons.

Mr. JACOBS: I think the Senator ought to be thanked for having given his testimony in English. He is not an English speaking person, and I think it was very kind of him to have given his evidence in the language that is not his mother tongue.

Mr. MACKENZIE: I had to listen to it all in the language that is not my mother tongue.

Witness retires.

Mr. WHITE: Has Mr. Dodd arrived.

ROBERT DODD, called and sworn.

By Mr. White:

Q. You are Mr. Robert Dodd?—A. Yes.

Q. Of Robert Dodd and Company, investment bankers, Royal Bank Building, Montreal?—A. Yes.

Q. And, would you look at exhibit 84? Do you recognize that?—A. Yes.

Q. Your company, I understand, is the author of the circular, exhibit 84?—A. That is right.

Q. And as such you vouch for the correctness of the statement therein?—A. I vouch for the statements there made, subject to reliability of the source of information.

Q. Which was— —A. Robert O. Sweezey.

Q. The first statement that attracts my attention is on page one—the first three paragraphs,

We have been enabled to purchase what we believe to be the entire floating supply of this issue—

Mr. MONTGOMERY: Mr. White, will you permit me to ask a question, and I think you will agree with me it may affect Mr. Dodd's evidence.

By Mr. Montgomery:

Q. Did you ever discuss this circular with Mr. Sweezy?—A. I did. When it was ready to go to press we discussed with Mr.—Mr. Dickinson and myself discussed it with Mr. Sweezy.

By Mr. Jacobs:

Q. Who is Mr. Dickinson?—A. The man who wrote this circular and got the—

Q. Mr. Dodds, is it D. Kelly Dickinson?—A. That is right. Got the information from Mr. Sweezy.

Q. Is he an employee of the Beauharnois Company?—A. I would not say that. He was employed on this at the time—

Q. By whom?—A. By Robert Dodd and Company.

By Mr. Lennox:

Q. Was this statement made upon the representation made by Mr. Sweezy?—A. To Mr. Dodd, and verified by Mr. Sweezy before we put out the circular.

Q. Was it true?—A. I believe it is, yes.

MR. MONTGOMERY: I am sorry, I cannot hear a word the witness said.

MR. WHITE: Perhaps the witness will repeat what he said?

THE WITNESS: I said I believed it was the truth.

By Mr. Lennox:

Q. Then you did purchase the entire floating supply of the issue.

MR. WHITE: What he believed to be.

MR. LENNOX: Yes. That is true.

THE WITNESS: Yes.

By Mr. Mackenzie:

Q. Are you sure it was approved by Mr. Sweezy?—A. Yes. Mr. Sweezy and Mr. Dickinson and I had lunch one day at the Ritz Carlton Hotel before this advertisement came out. We discussed the matter and went ahead with the—

MR. JACOBS: Was this an after dinner effusion?

THE WITNESS: After lunch or after dinner, I do not recall just which.

THE CHAIRMAN: Proceed, Mr. White.

By Mr. White:

Q. What did you believe to be the entire floating supply at that time?—A. One million two hundred and fifty thousand.

Q. Is that dollars or shares?—A. No, bonds. We are speaking of bonds.

Q. Do you tell us now that you had the right to sell that amount?—A. We thought we had.

Q. By reason of what?—A. Our arrangements with Mr. Sweezy.

MR. LENNOX: You did purchase that according to your statement.

By Mr. White:

Q. What arrangements were they?—A. Well, we were to take up all—there was between \$1,250,000—it was not decided upon how many bonds there were. When we came down to this parley at the Ritz, and he was to find out the following day just how many bonds there were left, somewhere between a million and a quarter or one million and three quarters of dollars, and we were to attempt to sell those bonds, or we were to take them, as a matter of fact—

Q. Then, do you say that Mr. Sweezey assented to the statements that are made in paragraphs 1, 2, 3, 4, 5, 6, 7, 8?—A. All of them.

Q. On the first page?—A. Yes.

Q. The paragraphs numbered?—A. Yes quite.

Q. Then, you make this statement,

It is our reasoned opinion, based on demonstrable quantities, that, owing to the common share—

There is an awful buzzing here, Mr. Chairman, and I find that my voice is not in good form anyway—

Hon. Mr. MACKENZIE: It is not booming with the usual resonance.

The CHAIRMAN: Mr. Dun, will you kindly ask the constable outside to tell those persons in the hall to make less noise. Please read that again, Mr. White.

By Mr. White:

Q. Then:—

It is our reasoned opinion, based on demonstrable quantities, that, owing to the common share attachments to this Beauharnois 30-year bond, the market for the bond will, in the course of the next five years, establish a direct or an equivalent valuation ranging from \$150 to \$200 per \$100 bond.

On what did you base that statement?—A. Mr. Dickenson went over those figures. I wired to get all the figures for Mr. Sweezey, and made up this circular, and it appeared to be reasonable in view of the fact that other cases of like nature had worked out perhaps higher than this; and I accepted it as a fact without having checked the figures personally.

Q. Then on the second page near the bottom the circular works out the value of \$1,800 for a \$1,000 bond.—A. For thirty years?

Q. Yes.—A. Yes.

Q. And that is based upon the information which you say Mr. Dickenson supplied?—A. Yes; and also on the first circulars that the syndicate put out. They figure the stock ought to be worth \$35 a share in 1937.

Q. The first circular the syndicate put out?—A. Yes, there is an option to purchase the stock at \$35 a share.

Q. What are you holding in your hand?—A. That is the option. At 1937 it puts the value at \$35 a share it must be putting a value on them when they give the rate of \$35 per share to the bondholders. This is the same stock that we are talking about, in the original Beauharnois circular it is just to establish our figures in connection with this circular.

Q. Then at page 3 you work out the total receipts for 500,000 horse-power at \$8,750,000, and an 85 per cent load factor?—A. Yes.

Q. On what do you base that?—A. As I said, I have not the figures. Mr. Dickenson got all the figures in connection with that, and not being an engineer or an accountant, I do not want to—

Q. What I want to find out is where the information came from?—A. Oh, from Mr. Sweezey.

Q. Then at the bottom of the second column on the third page you say:—

A CITY IN PROSPECT

We are assured from our exhaustive research that before the first unit of 500,000 horse power is completed, there will be a city of large proportions, to house, feed and entertain tens of thousands of employees of the new industries now contemplating erection of plant, for their respective diversified products?

A.—Quite right.

Q. From whom did you get the information upon which to base that statement?—A. We would not need to get any information. I would take the responsibility for that statement because if they have 2,000,000 horse-power there that will attract all the industries and houses; it has been done all over North America, and in Montreal; I would not pass that over to anybody else; that is my own vision of the project.

Q. Is it still your vision?—A. Yes, it is still my vision.

Mr. LENNOX: This is going to result in 500,000 horse-power, not 2,000,000.

Mr. WHITE: Yes.

Q. So, according to your view, the extra land owned by the Beauharnois Power Corporation will be come very valuable?—A. Yes. In the case of another enterprise with which I was connected 38,000 acres of coal lands were acquired at \$1 per acre, and these lands are now worth \$10,000 an acre.

Q. These are hardly coal lands?—A. You can put factories on them. There is no doubt that if we can get cheap power there it will be a wonderful project. I think we will need it badly in Montreal within the next ten years.

Q. How much of these bonds did you actually get?—A. We did not actually get any, I mean the Newman, Sweezey Company.

Q. How many did you actually sell?—A. What do you mean?

Q. Somebody said you were entitled to 22,500 shares?—A. That was in the original syndicate, and we sold them.

Q. You did not get any more?—A. Not from the Newman, Sweezey Company.

Q. Or from anybody?—A. We bought them and traded them; I would not say we did not buy and sell bonds, because that is our business.

Q. But you did not get any direct issue from the company?—A. We did not get any as far as I know except the 22,500 shares.

Mr. WHITE: Mr. Chairman, Mr. Dodd is brought here at the suggestion of Mr. Gardiner, and I have gone over with him what what appears to me to be the salient points of this circular, so possibly Mr. Gardiner would care to ask the witness some questions, and I suggest that perhaps that might be the proper way to proceed now.

By Mr. Gardiner:

Q. Turn to the second page of the circular, please, and look at the third paragraph:—

OVER \$4 PER SHARE

It will be observed that our analysis discusses in circumstantial detail the expectations of this 30-year bond-share-warrant investment over a five year period, when 1,000,000 horse-power should be in operation; and we show with that production unit, which is 50 per cent of the final objective, an earning power equal to slightly over \$4 a share on the combined common stock outstanding.

What do you say as to the correctness of that estimate of earnings?—A. Well, I have not the figures that went to make it up, but I would say it was not over-estimated.

Q. The next paragraph states:—

With this \$4.25 per share earning power on half the projected development, we believe a price of \$60 for the stock to be quite conservative, without giving consideration to the investment momentum which will gather force when the public realize the company's industry building characteristics in the territory adjacent to the Beauharnois operations.

Do you think, in view of that statement, that these shares would be worth \$60 provided the potential earning capacity was \$4 a share?—A. I have sold stock at \$7 a share that sold at \$1,500 in 1929, stock that did not look as good as this by any means, and I did not rob the public in doing so.

By the Chairman:

Q. Is yours a brokerage house or are you investment bankers?—A. Investment bankers.

By Mr. Gardiner:

Q. Then farther down the following appears:—

The following tabulation considers the prospective market equity of the 30-year bond and its share attachments, if all securities, bond and shares, are held for permanent investment at a market price of, say, \$60 a share for the common stock.

A \$1,000 bond cost.....	\$1,000
5 shares valued at \$60.....	300
Increment on 20 shares at \$25.....	500

Market value of the \$1,000 investment.....	\$1,800
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Do you subscribe to that?—A. I do. By the way, Mr. Gardiner, of illustration, the South-Eastern Power Company, a holding company the same as this is, had its bonds selling at \$1,900 in 1924 and they went up to \$2,500, and to-day in spite of the slump in the market they are worth from \$1,500 to \$1,600, and power rates have come down along with them.

Q. Turn to the second paragraph on page 3 of the circular, which reads as follows:—

As we have shown in this analytic study, there is every reason to anticipate the progressive sale of the total projected 2,000,000 horsepower, as and even before each 500,000 unit is completed. Therefore, we would estimate, within ten years, an annual gross revenue of at least \$40,000,000. This will entail a mortgage capitalization of well under \$200,000,000, which, at say, the high average of 6 per cent would require \$12,000,000 as fixed charges, with \$4,000,000 of over-all operating costs, resulting in a net surplus of \$24,000,000 equal to \$10 a share on the combined "A" and "B" stock.

What do you say as to the correctness of that statement?—A. It is quite correct; it is very modest in comparison with the investment.

Q. Then if you think that is quite correct, and you believe that within ten years both the "A" and "B" stock will be earning \$10 a share can you give this committee an estimate of the potential value of those shares?—A. It might go to \$1,000.

Q. \$1,000?—A. It might go to \$1,000.

Mr. WHITE: We had better get in right away!

The WITNESS: I am selling the stock, you see, so I am a little optimistic, and this is a good place to tell you gentlemen that this project is just the same as the case of a man who took up a farm in the West—

The CHAIRMAN: I hope not.

Mr. WHITE: There is no water there.

The WITNESS: I am speaking of farmers in the West, not speculators; there are some with a lot of money to-day who went out there and picked out 160 acres and got the balance at \$1 an acre. Try to buy it now for \$1,000 an acre or for anything at all! I refer to land lying in the valley between Edmonton and Calgary. This project is on the St. Lawrence river and nobody is getting

any benefit from the water now, but in ten years we will have to have it. There is 2,000,000 horse-power there, and the people of this country are going to see that it is developed.

By Mr. Gardiner:

Q. Would you figure the potential value of those shares at \$150 a share ten years from now?—A. They might be worth a couple of hundred dollars. I have seen stock sell for \$200 that was not paying a dividend.

By the Chairman:

Q. Not sold through your house?—A. Yes.

Q. Did you say you were an investment banker?—A. Yes. The man who bought it for \$200 could have sold it at \$1,500, and if he bought it at \$200 he could sell it to-day for \$500, taking into consideration the break in the market. The more electric current you sell the cheaper it gets, and the more they produce at Beauharnois the more they will sell. I do not know anything about these figures particularly. They were obtained by my analyst, and generally I supply the optimism that goes with the business. In Canada we have to be optimistic. I have faith in the future of this country.

Q. Is there anyone employed to put the brakes on now and again?—A. The brakes go on automatically.

By Hon. Mr. Mackenzie:

Q. I suppose they are on now?—A. Yes; we are on the ebb tide now; a little while ago we were on the flood tide and now we are on the ebb tide and it will be flood tide again some time. I have been through it since 1901 and have lost money on every break but have managed to come out of it with three meals a day and a place to sleep.

By Mr. Gardiner:

Q. I want to get your viewpoint as to the potential value of these shares at the end of ten years' time when this thing is completed according to your circular.—A. The stock would have a fair value of \$200 per share, I would say.

Q. And if you owned one hundred thousand dollar shares what would be the potential value of those shares?—A. Do not ask me to calculate so quickly; I have no adding machine here.

Mr. WHITE: That is a matter of multiplication, not addition.

The WITNESS: \$40,000,000.

By Mr. Gardiner:

Q. Do you think that would be a fair potential value to place upon the shares?—A. Yes, of course, one has to wait a long time. There are a good many things to go over the dam between now and the time they are worth that.

Q. Was this circular of yours used for advertising purposes, or were any of the items in this circular used for that purpose?—A. Just what do you mean by "advertising"?

Q. The bonds were advertised when they were being sold?—A. Yes; they went out in the circulars.

Q. Was any of the material in this circular of yours specific advertising in the press?—A. Yes, I presume so. There is a copy of the advertisement.

Q. This advertisement was put in by your company?—A. Yes.

Q. Do you know whether this material was used by any other company for the purpose of selling those bonds?—A. I do not think so; not that I know of.

Q. You have no information on that point?—A. No. I do not think so.

Q. You just used your own material and your own advertisements?—
A. That is right.

By Hon. Mr. Mackenzie:

Q. Did you have bonds to dispose of in response to that advertisement?—
A. Yes.

By Sir Eugene Fiset:

Q. But all you got from Newman and Sweezey was 23,500 shares?—A. Yes.

By Mr. Gardiner:

Q. Have you any correspondence with Mr. Sweezey with regard to the purchase of those bonds or the arrangements made?—A. No, not at that time.

Q. There was no correspondence?—A. No.

Q. It was purely a matter of negotiation?—A. Purely a matter of personal negotiation, like all these things were done.

By Mr. White:

Q. If my arithmetic is at all correct the class A shares, of which I understand there are 3,000,000, would be worth, according to you, \$1,800,000?—
A. \$1,700,000.

Q. So that the class A shares, according to you will be worth two hundred times \$1,700,000 in ten years?—A. Yes.

Q. Is that based on 2,000,000 horse-power?—A. Yes, that is based on 2,000,000 horse-power. That is not any different from any other line of business that a man is in or that anybody is in. It isn't anything wonderful, or there is nothing wonderful about that sort of thing. When people put their money in they take their chance, and they are entitled to something, and the people of Canada are getting the benefit of it.

The CHAIRMAN: Nobody is suggesting that they are not entitled to something.

The WITNESS: Mr. White is questioning—

Mr. LENNOX: It is the amount, that is all.

By Mr. White:

Q. There are two phases in connection with that, Mr. Dodds, and they must be borne in mind in asking those questions, because some people think that if this proposition has a potential value of \$5,000,000 or \$6,000,000 the country should own it. Other people have other views, and it was with that object in mind that I was asking you these questions?—A. In answer to that, Mr. Henry, Sir Herbert Holt had a standing bet with Sir Adam Beck in Toronto, of \$5,000, that he could get power cheaper with a company in Montreal than you with the Hydro-Electric in Ontario.

The CHAIRMAN: Why enter into this?

The WITNESS: He is bringing the subject of public ownership.

By Mr. White:

Q. Then you speak in the circular here of industries, had you any particular industries in mind?—A. No, but you do not need to have any particular industries in mind. This power will attract the industries. The industries will go there for power. I haven't any particular industries in view.

Mr. WHITE: I see, like the flies going to the molasses barrel.

The CHAIRMAN: Any further questions, gentlemen?

By Mr. Montgomery:

Q. Did you have more than one interview with Mr. Sweezey?—A. I had lots of interviews, yes.

Q. With Mr. Sweezey?—A. Yes. I met him often around that time, at luncheons, and had interviews at different times.

Q. I suggest to you that Mr. Dickinson submitted a draft of this circular to Mr. Griffith. Are you aware of that?—A. I presume he did. Yes, he told me he did.

Q. And did not he tell you that Mr. Griffith refused to endorse it?—A. No, he did not tell me that.

Q. The 22,500 of bonds of which you speak were not sold on this particular circular?—A. Some of them might have been.

Q. I am talking of this particular circular, Mr. Dodd.—A. We were referring in this particular circular to different bonds, the bonds that we were negotiating for.

Q. And the 22,500 which you took from the first syndicate were sold on the regular syndicate letter, were they not?—A. Exactly. I do not say they were all sold. We sold some of them,—perhaps we sold them all. We were in the position of trading.

Q. Do you know what the stock is selling at to-day?—A. About \$5.

Q. How many shares have you?—A. I have a few shares.

Q. So that you have confidence in your prediction that this stock will be selling for \$200 in ten years?—A. I have my money in it, yes.

Q. How many shares have you?—A. Am I supposed to answer that, sir.

The CHAIRMAN: It is not a proper question. But, Mr. Montgomery, at the time Mr. Sweezey was selling bonds is it not fairly obvious that if he can enlist as one of his captains a man with the optimism of Dodd he never would overlook him.

Mr. MONTGOMERY: I do not know about that, Mr. Chairman. There was no official circular put out which, I suppose, represented the proposition as optimistically as they thought proper.

The CHAIRMAN: That is the one that was sent out by Newman-Sweezey & Co.

Mr. MONTGOMERY: Yes, the one that was sent out by Newman-Sweezey & Co., and also by all the brokers who participated in the first issue.

Hon. Mr. MACKENZIE: Do I understand that no bonds at all were bought or sold under this circular.

Mr. MONTGOMERY: Under the Dodds circular?

Hon. Mr. MACKENZIE: Yes.

Mr. MONTGOMERY: None.

The WITNESS: Yes, there were bonds sold under that. But he is referring to other bonds. I have sold bonds on that circular. The original bonds, or the other bonds were Beauharnois bonds.

By Mr. Montgomery:

Q. At a considerably later date?—A. Oh, yes, at a considerably later date than this circular.

By Hon. Mr. Mackenzie:

Q. None of the 22,500 were sold under this circular.—A. I would not say that either.

Q. You are not sure?—A. I am not sure.

Q. That all depends on whether you have been successful.—A. As a matter of fact, we might have bonds and hold them for a year before we sell them.

By Hon. Mr. Mackenzie:

Q. Did you issue a syndicate circular as well as this circular?—A. Yes.

Q. Subsequent to the issue of this one?

Mr. LENNOX: That was issued on the 30th March, 1930.

The WITNESS: This circular was before, yes.

Mr. WHITE: The syndicate circular, exhibit 84, preceded.

The WITNESS: Preceded our circular. This is October, 1929, and ours is marked 1930.

The CHAIRMAN: Are there any other questions any other member of the committee would like to ask the witness, Mr. Hellmuth?

Mr. HELLMUTH: No.

Mr. LENNOX: I want to ask Mr. Hellmuth a question. I want to learn some law. The Chairman and I have been discussing who the owners of the beds of navigable rivers are. We cannot agree. I know he is wrong but still I would like to have your opinion.

Mr. HELLMUTH: Well, I think Mr. Lennox, that that question is pretty well settled now.

First of all, in 1898, in the first Fisheries case, a strong pronouncement was made in the Judicial Committee that all property rights in navigable rivers in the provinces rested with the Crown in the right of the province subject to the power of the Dominion parliament to legislate or to deal with the rights of navigation.

That was followed by a number of cases, both the second and third Fishery cases, and also by the case of Leamy vs. The King in the Supreme Court, in which the Supreme Court laid down definitely and decidedly, the principal that in the province rested the proprietary rights in regard to water powers and the beds of the rivers and although there might be some riparian rights yet the province could deal with them as property and civil rights in the province.

The last case of all, the Water Powers Reference case, question 9 is answered in this way. The 9th question was:—

Has the province the right to control or use the waters in provincial rivers and to develop or authorize the development of water powers within the province, provided that in so doing navigation is not prejudiced and that the province complies with Dominion requirements as to navigation.

Then the answer to that question is given by Mr. Justice Duff, on page 226, Mr. Justice Duff having delivered the opinion of the court. Mr. Justice Smith delivered a concurring opinion. There were only two opinions. Mr. Justice Duff says:—

As to question 9, it was not seriously disputed that, under the conditions mentioned, the provinces have the rights which are the subject of the question. This, of course, on the assumption that there is no conflicting legislation by the Dominion under an over riding power, a power, for example, conferred by the combined operation of section 91 (29 and 92 (10a).)

Neither of those being matters which affect the question so far as you have put it to me, Mr. Lennox.

The CHAIRMAN: Whose judgment is that you are reading, Mr. Hellmuth?

Mr. HELLMUTH: That is the judgment really of the court, delivered by Mr. Justice Duff, and it is only in line with the previous decisions. For sake of reference, I could give you the names of the cases.

There is the Attorney General of Canada vs. the Attorney General of Ontario et al, 98 Appeal Cases, 700. That is the first Fisheries Case.

The Attorney General of British Columbia vs. the Attorney General of Canada and others, 1914 Appeal Cases, 53.

Leamy vs. The King, 54 Supreme Court Reports, 143. That is 1916. I am giving those to you, as far as I can, in chronological order.

The Attorney General of Canada vs. the Attorney General of Quebec, 1921, 1 Appeal Cases. There are two volumes, 413.

Then there is the case of the City of Montreal vs. Montreal Harbour Board, 26 Appeal Cases, 299. That was a case in which the Dominion claimed that under the British North America Act which placed canals in the position of harbours of the Dominions, that it also authorized the Dominion to enlarge those harbours and to own the land occupied by such enlargements and, in that case their Lordships go—I won't say out of their way but they say that while the harbour which was vested in the Dominion from the bed of the stream beyond that harbour which was subsequently used as part of the harbour did not belong to the Dominion but belonged to the province, and must be if taken by the Dominion for the purposes of a harbour, compensated for.

Then there is the last case, which was the one I mentioned, the Water Powers Reference, that is 29 Supreme Court Reports, 200, and at page 226 is the passage that I read from by Mr. Justice Duff.

I may add that I have looked at the arguments that were advanced by the counsel engaged in that case, the arguments of which lasted for some nine days. Eminent counsel were engaged in the case. Mr. Rowell was acting for the Dominion, and among others who were acting for the provinces were Mr. Tilley and Mr. Lafleur. Mr. Rowell put forward, so far as I could find, no contention against the province being the owners of the bed of navigable streams, and both Mr. Lafleur and Mr. Tilley dismissed that portion of the question by saying, "It is not necessary to argue that that proprietary right as distinguished altogether from legislative right is in the province." And the committee will see that that is entirely in line with the commencement of the remarks of Mr. Justice Duff—that it was not disputed.

So that I would respectfully submit that there is not now at the present moment any real controversy as to the province being the owner of the bed of navigable streams. The only ones who have the proprietary right to the water-power that may be developed by proper procedure from that water passing down that navigable stream, but that that is subject to the right of the Dominion in regard to navigation, and that in a case of this kind we would have to go to the province for the right to use that water, to divert for the purposes of power, and then having got that right from the province applications have to be made to the Dominion for protection in regard to the navigation in that stream.

That would be my submission. I may add that so far as I have seen, all counsel—and there are a great many who have had it placed before them—come practically to the conclusion that I have endeavoured to state.

Mr. LENNOX: Thank you, Mr. Hellmuth.

Mr. WHITE: Mr. Chairman, might I add one word to what has been so well said by my learned friend, Mr. Hellmuth, and that is this: It leaves open a very serious question, it seems to me, that is as to whether the ownership of the bed of a stream gives any right to the use of the water. Under English law, as I read it,—

The CHAIRMAN: There is a lot of it.

Mr. WHITE: . . . The right to the use of the water is a riparian right. That is the right which the owner of the bank of the stream has. Now, that is a consideration which I think cannot be left out of the situation.

The CHAIRMAN: We will not be called upon in this committee to decide that.

Mr. WHITE: I just want to bring that to the attention of the committee.

Mr. LENNOX: We were just discussing the matter between ourselves.

Mr. WHITE: And in addition to that there is the further question, and the matter cannot be determined unless one knows, for instance, in the province of Quebec what the seigneurial grant was from the King of France and as to how far that carried it, and also as to whether there is a distinction between the French law coming from the Roman law as to the right to the use of the water being in the owner of the bed of the stream as distinguished from it being a riparian right under English law.

Mr. HELLMUTH: I want to add one word in regard to that. It is now laid down further under the British North America Act dealing with property and civil rights, and the granting of water powers to somebody else, that under the legislative jurisdiction they can take away the property from the riparian owners and give it to somebody else. Of course, it would provide for compensation; but that I submit has been quite clearly held, that all property rights in every province are in the province and they can dispose of them as they see fit.

Mr. WHITE: I would bring to the attention of the committee a letter addressed to you Mr. Chairman, dated July 10, 1931, from Mr. Frances King, counsel for the Dominion Marine Association. It is desirable that I should read this.

The CHAIRMAN: That letter came to me through the mail this morning.

Mr. WHITE: Perhaps I had better read it. It is addressed to the Hon. W. A. Gordon, and reads as follows:

On behalf of the Dominion Marine Association, and under instructions, I beg to refer to the attitude of the Association towards the undertaking of the Beauharnois Light, Heat and Power Company which is now being considered by your committee.

Upon the application of the company for approval of its plans under the Navigable Waters Protection Act and the Dominion Marine Association filed a memorandum addressed to His Excellency, the Governor General in Council, dated the 20th October, 1928, setting out some of its many objections to the proposal. Upon the hearing of this application of the 15th January, 1929, the Association was prepared to present evidence, including that of practical navigators, in opposition to the scheme, but counsel for the applicant having at the opening of his address, set aside as irrelevant a great part of the printed and written matter already published or on record, and having addressed himself solely to the withdrawal of 40,000 c.f.s. (now permitted by Order in Council), the question immediately at issue for this association reduced itself to nothing more than the effect of this withdrawal upon the continued navigation of the Rapids in this section of the river. Counsel for the applicant company, under some pressure on this point, thereupon dictated to the official reporter a definite statement limiting the application to the relatively small amount of water above mentioned. The Company would have to come back for permission if it at any time desired to take more water and to develop the power canal for navigation.

The Dominion Marine Association therefore called no witnesses upon the larger question of subjecting vessels large or small to the difficulties and dangers of navigating a power canal.

The Association does not wish its silence at the present time to suggest that its very strong objections to the larger undertaking have in any way been removed or satisfied. The fact is that when your special committee was appointed it was not thought that these objections would be

given consideration upon the present hearing, and it seemed that they should be presented when an actual application for more than 40,000 c.f.s. happened to be made by the company. But reports of the present inquiry show that the whole subject is being considered, and therefore I am directed to submit, as I do herewith, a copy of the Association's memorandum of the 20th October, 1928, above mentioned, which represents its views to-day as it did then.

I do not like to refer to any particular paragraphs in this memorandum lest it should appear that others are considered of smaller importance. But this Association is particularly concerned about the exploitation of the river in the interests primarily of individuals whose business is the inexpensive development and wide marketing of power, and who will feel obliged to take care of navigation only to the extent that the Dominion Government happens to impose requirements and restrictions. Navigators and owners of ships object to any scheme which will subject their vessels unnecessarily to the difficulties and risks of passage up and down a long submerged channel in a very substantial current developed in water utilized and controlled by those manufacturing power in accordance with the exigencies of that business, and controlled only indirectly, and perhaps after the event, if at all, by those who may be charged with the duty of some oversight by the Dominion authorities.

On behalf of the Dominion Marine Association I beg to commend the Association's views to your earnest consideration and would ask that no action be taken by way of approval or recommendation of approval of the larger undertaking which is apparently now proceeding in advance of any application by its promoters for authority of the Minister of Public Works, the Governor General in Council, or the Parliament of Canada.

I shall be glad to have acknowledgment of the receipt of this letter, and to know that it, together with the enclosure, will be laid before the Committee.

Attached to this there is a memorandum which is dated October 20, 1928.

Hon. Mr. MACKENZIE: That is the old objection made before the hearing. we have that already.

Mr. WHITE: Yes. That is right.

(Letter addressed to Hon. W. A. Gordon dated July 10, 1931, filed, marked Exhibit 106).

Mr. WHITE: Now, you recall the other day that Colonel Lennox suggested that Mr. Ebbs be asked to bring his bank book and cheques to the committee. I took the liberty of changing the instruction a little, and asked Mr. King, who is acting here as the representative of Price-Waterhouse Company, to go to Mr. Ebbs office and make an examination on the ground. Mr. King has completed his examination, and is prepared to give the results.

The CHAIRMAN: Are there any results?

Mr. WHITE: Practically none, sir. The amount of money, according to Mr. King's report, which has been received by this firm is, with the exception of a sum of \$2,000, the same as was indicated when Mr. Ebbs was in the box, and there are no disbursements. Mr. King tells me that he examined the firm's cash book over a period for two or three months, prior to the first payments, and subsequently to the present time, and that there are no indications of any disbursements which could be construed into political subscriptions or anything of that character.

Mr. JACOBS: That is within the last few weeks.

Mr. WHITE: No. From the first amount received—from a period of two or three months prior to the first payment, and from thence next forth ensuing and ending at the present moment.

Mr. JACOBS: We do not require Mr. King's testimony. I think your statement is all right.

The CHAIRMAN: If everyone is satisfied with what Mr. King has transmitted to Mr. White and Mr. White has transmitted to us, we need not call Mr. King on that point.

Mr. HELLMUTH: May I file those opinions that I spoke of? I do not know that they need necessarily be filed, but I would like to hand them in.

The CHAIRMAN: I have a confession to make, Mr. Hellmuth. I think Colonel Lennox deliberately asked you that question for the purpose of finding out what the law was so he could use it in his business hereafter.

Mr. LENNOX: So you had better file it. I did want to learn what the law was. I had never looked it up, and I knew you were being paid for that purpose, and I thought it was the easiest way to get the information.

The CHAIRMAN: If you will leave it with me, I will have some copies struck off, and we will all have it.

Mr. WHITE: I understand, Mr. Chairman, that Mr. Morin wishes to call Mr. Griffith for a moment.

HUGH GRIFFITH recalled.

By Mr. Morin:

Q. Mr. Griffith, do you know Mr. Charles Lanctot of Quebec?—A. I know who he is, though I have never had the pleasure of meeting him.

Q. You know him?—A. Yes.

Q. By name?—A. Yes.

Q. What is his official capacity in Quebec?—A. I believe he is assistant or deputy or has some capacity in the Attorney General's office.

Hon. Mr. CANNON: I do not know what the object of my learned friend's question is, but again I wish to state to this committee that any investigations concerning Quebec government officials is not the concern of this committee.

Mr. MORIN: I will not question the witness about the official duties of Mr. Lanctot, but only his connections. Mr. Lanctot is an individual with this company.

The CHAIRMAN: What is he, a solicitor?

Mr. MORIN: He is Deputy Attorney General.

The CHAIRMAN: A lawyer or advocat?

Mr. MORIN: Yes, but no private practise.

Hon. Mr. CANNON: That is a question. That question, as a matter of fact, has been discussed already. Whether the Attorney General or Assistant Attorney General—

The CHAIRMAN: Is he the Deputy Attorney General?

Hon. Mr. CANNON: Yes.

Mr. LENNOX: Would he be allowed to practice?

Hon. Mr. CANNON: Yes. As a matter of fact, he appears on the list of the Bar. But my objection is not to that. My objection is that I do not think this committee should go into investigating anything connected with the officials of the Quebec government.

Mr. STEWART: I do not see that. If they have any money or anything in this company, we should know it, irrespective of whether they come from Quebec or any other province. We do not know what he is going to ask.

The CHAIRMAN: I do not know, I am sure. I was hoping that all available evidence would be made plain to this committee.

Hon. Mr. CANNON: But, Mr. Chairman, if I may be allowed, with all deference, here is a Parliamentary committee set up by the House of Commons, the reference is that the committee is to deal with the Beauharnois insofar as the jurisdiction of the Dominion goes. Well, I do not think that it can be urged that a parliamentary committee, set up by the Dominion House, would have any power to inquire into the conduct of officials of another government.

Mr. LENNOX: Don't you think it would be better to wait until Mr. Morin puts his question, and take exception to it?

Hon. Mr. CANNON: The trouble is—

Mr. LENNOX: I do not know anything about it.

Hon. Mr. CANNON: I do not know myself. I do not know what my learned friend wishes to bring out. Now, we have gone this far that Mr. Morin has asked the witness who Mr. Lanctot is, and what his official position is. We have got that far. Now, I am putting the question—it is for the committee to decide—it is a most extraordinary thing if a parliamentary committee of the Dominion started investigating the officials of the Provincial Government.

Mr. MORIN: It is not my intention at all.

Mr. LENNOX: I think it is hardly fair to put it that way, because we do not know what Mr. Morin has in mind until he puts the question.

Mr. JACOBS: We have the power, under the reference, to inquire into all matters referred to us which are within the jurisdiction of the Parliament of Canada, and nothing else.

Mr. LENNOX: In other words, we cannot interfere as to the jurisdiction of a province, but that does not stop us getting information that may help us to come to a conclusion.

Hon. Mr. CANNON: My point is simple, and all the more so—the Chairman appreciated it a few days ago—there was some question of producing an agreement between Beauharnois and the Hydro Electric Commission of Ontario, and objection was made to it.

Mr. LENNOX: The Chairman objected to it?

Hon. Mr. CANNON: The Chairman objected to it.

Mr. LENNOX: Let us get his objection in concrete form and a ruling. He has not asked the question yet.

By Mr. Morin:

Q. Is Mr. Lanctot on your payroll?

Mr. JACOBS: Let us have the decision from the Chairman on that. It may be important.

Mr. STEWART: I thought we were to decide each individual case as it came up.

Mr. JACOBS: Mr. Cannon has raised an objection, and it is for the Chairman to decide it.

Mr. STEWART: We have not any objection to decide upon because we do not know what the question is to be.

The CHAIRMAN: As I understand this matter, it resolves itself into this: up to the point where Mr. Cannon raised his objection, there was no objection available; but this further question is asked, and I suppose the committee will be called upon to rule upon that question. Mr. Morin has now asked his question.

Mr. LENNOX: Well, Mr. Cannon, have you any objection to that question being asked?

Hon. Mr. CANNON: I certainly have.

Mr. LENNOX: On what grounds?

Hon. Mr. CANNON: This committee is not set up for the purpose of investigating matters over which it has no jurisdiction.

Mr. LENNOX: This has nothing to do with the Quebec Government. Mr. Morin has asked a question if Mr. Lanctot was in the pay of this corporation.

Hon. Mr. CANNON: Yes, but with the preceding questions—

The CHAIRMAN: I understand Lanctot is a practising advocate in the City of Quebec.

Hon. Mr. CANNON: He is the Assistant Attorney General of the Province of Quebec.

Mr. WHITE: Deputy.

The CHAIRMAN: He still carries on a legal practice, as I understand it, I may be wrong.

Hon. Mr. CANNON: I do not know. I cannot answer that question.

The CHAIRMAN: Is he not a well known counsel?

Mr. JACOBS: He is a well known counsel in Quebec?

Mr. MORIN: He has no private office, he has an office in the Parliament Buildings that is all.

Hon. Mr. CANNON: He is an official of the government of the Province of Quebec.

Hon. Mr. MACKENZIE: The Attorney General in England I understand, makes lots of money.

The CHAIRMAN: As I understand Mr. Morin's question, he wants to know from Mr. Griffith whether Charles Lanctot is an Advocate of the City of Quebec.

Hon. Mr. CANNON: No, Mr. Chairman, the Assistant Attorney of the Province of Quebec. Mr. Morin asked the witness if he was, and he said yes.

The CHAIRMAN: I think that probably he asked that in order to identify the man.

Hon. Mr. CANNON: I do not know what the purpose was. That is the result of his answer. We have now before the committee evidence dealing with one of the highest officials of the Province of Quebec. Now, should the committee take upon itself to investigate his action. I have stated my objections. I do not want to delay the proceedings.

The CHAIRMAN: I think at this point, subject to review later on, that the question that should be put to Mr. Griffith is not, is Charles Lanctot in his capacity as Deputy Attorney General of the Province of Quebec in the pay of the Beauharnois Company, but is Charles Lanctot an Advocate of the City of Quebec in the pay of the Beauharnois Company. It would be quite within the rights of the committee to put the question that way.

By Mr. Morin:

Q. Is Mr. Lanctot, as a private lawyer, on your payroll?—A. Lanctot is in receipt of a retainer from the Beauharnois Power Corporation.

By the Chairman:

Q. How much?—A. I am not prepared to say, but my recollection is \$1,500 a year.

By Mr. Morin:

Q. Did you ever meet him?—A. I have never met him.

Q. Have you ever corresponded with him?—A. I have written him one letter.

Q. What for?—A. Confirming the retention of his services, and enclosing a cheque for one-half year's retainership.

Q. Who engaged him?—A. I presume I engaged him when I wrote the letter.

Q. I beg your pardon?—A. I presume I engaged him when I wrote the letter. I took that action on the advice of Mr. Geoffrion or rather at the request of Mr. Geoffrion.

By Mr. Lennox:

Q. What were his duties to be?

Mr. JACOBS: Now, I think that Mr. Cannon can quite properly make his objection.

Mr. CANNON: I have no more objections to make. I made my objection, and stated it very clearly.

The CHAIRMAN: I have given effect to it, unless the matter comes under further review.

Hon. Mr. CANNON: I have been in Ottawa for fifteen years, and I never had an experience of a committee investigating another government's officials.

By Mr. Morin:

Q. What service is he supposed to render to you?—A. Mr. Lanctot is to—

Mr. LENNOX: Is there any objection to that question?

Hon. Mr. CANNON: I have no more objections to make; I have made my objections and stated them very plainly.

The CHAIRMAN: What is the question that you want to put to the witness?

Mr. MORIN: What are the services he is supposed to render to that company?

Mr. JACOBS: Is that something within the purview of our committee?

Mr. MORIN: We have been inquiring about all the other lawyers, and I do not see why Mr. Lanctot—

Hon. Mr. MACKENZIE: Not all.

Mr. MORIN: Many of the lawyers.

Mr. MACKENZIE: I have one or two more, when you sit down.

Mr. LENNOX: We are inquiring about a man, who is admittedly on the payroll of the Beauharnois Company. We have a right to know what his services are, irrespective of his connection with the Quebec Government. That is my opinion.

The CHAIRMAN: I would not care to subscribe to that. I have given effect to Mr. Cannon's objection, subject to review later on, for the moment at least. It is just about adjournment time, and I would prefer that that question be deferred until the next session, and in the meantime I will think it over.

Mr. WHITE: May I offer a suggestion, Mr. Chairman, and that is this: it might be just possible that an answer to that question—I do not know what it will be—if it is right to be answered, may involve some question of Mr. Lanctot's duties in his official capacity, and in that case we would be, perhaps, treading on dangerous ground.

The CHAIRMAN: That is the danger. Frankly, I am not yet wholly convinced that we have not the right, if we care to exercise it, to inquire into this, but having regard to the stand that Mr. Cannon took earlier in the

investigation, I said that as those questions arose, we would deal with each on its merits.

Mr. LENNOX: I do not think it has any similarity at all with your ruling. Your ruling was on the question of departmental work, work gone on between officials of the company, and the question was whether it would be right to disclose anything that had taken place between clerks and the officials of the departments. That was your ruling. We are not interested in departmental work here. We are interested in knowing, after having learned that a certain man is receiving \$1,500 a year as a retainer, what his services are, and what he is retained for. It has nothing to do with departmental work. We are asking about a man who is working, not as the Deputy Attorney General, but we are asking about a man who is working as an employee of a company for which he is paid \$1,500 a year.

By Hon. Mr. Mackenzie:

Q. Mr. Griffith, the very next entry on that sheet after Mr. Lanctot's name is "John A. Sullivan." Who is he?—A. He is an attorney in Montreal.

Q. Is he in the service of the Beauharnois Corporation?

Mr. JACOBS: Mr. Chairman, I move that we adjourn.

The CHAIRMAN: Let us pursue this line of inquiry first.

By Hon. Mr. Mackenzie:

Q. Is he an employee of the Beauharnois Corporation?—A. He is in receipt of a retainer from the Beauharnois.

Q. Of how much?—A. I am afraid I cannot give amounts without reference to some evidence or books or something; I would have to look at that sheet.

Mr. LENNOX: It certainly covers a wide field.

By Mr. White:

Q. The amount on the sheet is \$1,500?—A. Doubtless that is correct.

By the Chairman:

Q. What does Mr. Sullivan do?—A. He is available for practice and consultation in the district of Beauharnois.

Q. And I believe that before being engaged by you he sued the company many times?—A. No, I do not think that is so.

Q. I think he did, and that he had some considerable success with his suits?—A. Not to my knowledge.

Hon. Mr. MACKENZIE: Is the chairman giving evidence now?

The CHAIRMAN: No, but I am asking questions.

The WITNESS: I am not aware of any action taken by him or through his office.

By the Chairman:

Q. Did you consult Mr. Sullivan?—A. Yes.

Q. And you paid him for his services in this way?—A. Yes.

Q. Did you consult Mr. Lanctot?—A. Not directly, but Mr. Geoffrion does so.

Q. And pays him for his services?—A. He is so paid.

Q. What services has Lanctot rendered to you?—A. I cannot answer that satisfactorily. I understand he has been consulted with respect to the municipal work in the Province of Quebec.

By Hon. Mr. Mackenzie:

Q. But both are practising barristers?—A. Oh, quite.

The CHAIRMAN: Mr. White, before we adjourn I want to put on record a telegraphed letter that I sent to the Hon. W. L. McDougald asking him to signify his consent to attend here and give evidence, and also the confirmation of the delivery of this telegraphed letter to Senator McDougald at his residence in Montreal.

Mr. JACOBS: You might have sent it down to the Senate Chamber. Senator McDougald made a statement in the Senate Chamber this afternoon.

Hon. Mr. MACKENZIE: Did he?

Mr. JACOBS: Yes.

Hon. Mr. MACKENZIE: To what effect?

Mr. JACOBS: He has asked for a committee of the Senate to investigate into the matters complained of.

Mr. LENNOX: He has not confidence in us.

Hon. Mr. MACKENZIE: The first thing you know, we will have another constitution in Canada.

Mr. WHITE: I will file these documents as Exhibit No. 107.

EXHIBIT No. 107

Copy of telegraphed letter dated Ottawa, July 15, 1931, from Victor Clouthier, Esq., to the Hon. W. L. McDougald, and confirmation of delivery of same:—

HOUSE OF COMMONS, CANADA,

OTTAWA, 15 July, 1931.

The Honourable W. L. McDougald,

Senator,

Chateau Laurier, or the Senate Chamber, Ottawa, or 25 Sunnyside Avenue, Westmount, Quebec.

SIR,—In accordance with resolution adopted by the Honourable the Senate of Canada on Tuesday, 14th July instant, agreeing to the request of the House of Commons of Canada for leave to be granted to you to attend and give evidence before the special committee of the House of Commons, appointed to investigate from its inception the Beauharnois power project, I beg to inform you that I have been directed by the Chairman to convey to you the committee's desire to have you attend and give evidence before the said committee concerning the said Beauharnois power project so far as your interests and dealings are therein concerned, and also any other information that you may have knowledge of as to the undertaking of the said project, on Thursday, 16th July, at 2.30 o'clock p.m., in Room 231 of the House of Commons.

Will you kindly signify your consent to so attend on the date and at the hour herein mentioned, either to the Chairman, the Honourable W. A. Gordon, or to the Clerk of the Committee, Mr. John T. Dun, House of Commons, Ottawa? An immediate reply will be very much appreciated.

I have the honour, sir, to be,

Yours very respectfully,

VICTOR CLOUTHIER,

HOUSE OF COMMONS, OTTAWA.

Chief Clerk of Committees.

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Sys yrs. 15th Hon. W. L. McDougald sgd Clouthier msg sent residence, this AM BBC then sent to office deld personally ten AM.

DELY MONTREAL QUE. JULY 16."

The CHAIRMAN: Mr. White, here is a letter that came to me from a person with whom I do not think I am personally acquainted. You might review the contents of it and convey them to the members of the committee if you desire to do so. It is not marked "confidential".

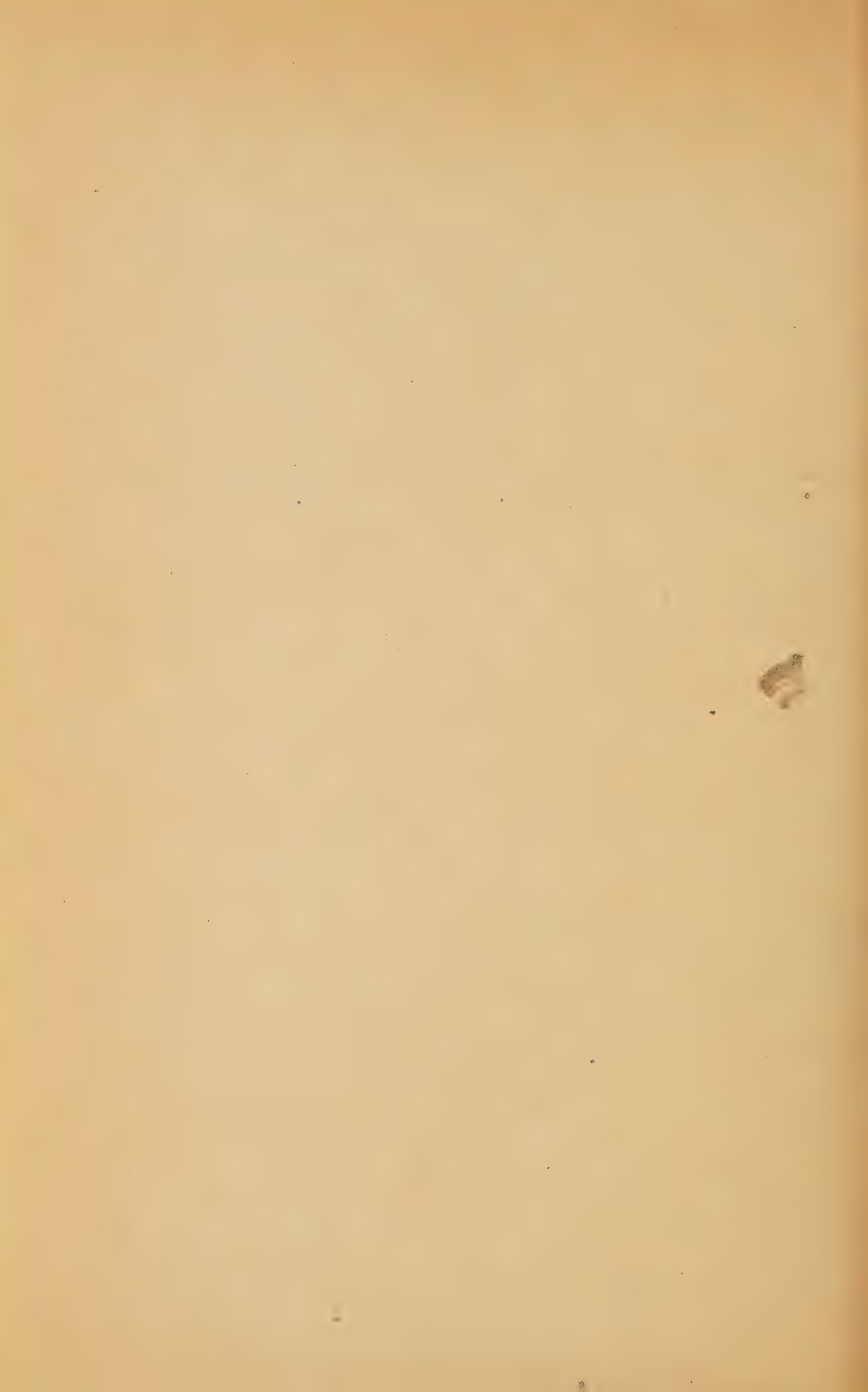
By Mr. White:

Q. Did you see that letter Mr. Griffith?—A. No, what is it about?

Mr. WHITE: Do you want me to read it, Mr. Chairman?

The CHAIRMAN: Read it over to yourself.

The committee will adjourn until 11 o'clock to-morrow morning.



Dr. Dot.
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Special Committee (House)

SESSION 1931

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

BEAUHARNOIS POWER PROJECT

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 17

FRIDAY, JULY 17, 1931



WITNESSES:

- Mr. R. O. Sweezey, President, Beauharnois Power Corporation, Limited.
- Mr. Hugh B. Griffith, Secretary Treasurer, Beauharnois Power Corporation, Limited.
- Mr. John Aird, Jr., Engineer, Toronto, Ont.

EXHIBITS FILED

No. 108—Beauharnois Power Corporation, Limited. List of Class A Shareholders.

No. 109—Marquette Investment Corporation cheque dated June 4, 1930, for \$199,512.16 payable to Dominion Securities Corporation.

Voucher for \$44,000 of Dominion of Canada 5½ per cent 1934 bonds and \$150,000 Dominion of Canada 5½ per cent 1933 bonds.

No. 110—Bank of Montreal cheque, December 5, 1929, for \$847.78, payable to Cash. Signed by Hugh B. Griffith and endorsed "D. T. Main".

No. 111—Five letters from banks in Toronto, dated in July, 1931, to Mr. John Aird, Jr., together with Memorandum *re* bonds (Two yellow sheets).

MINUTES OF PROCEEDINGS

FRIDAY, July 17, 1931.

The Special Committee appointed to investigate the Beauharnois Power Project met at 11 a.m. Hon. Mr. Gordon, the Chairman, presided.

Members present: Messrs. Dorion, Fiset (Sir Eugène), Gardiner, Gordon, Jacobs, Jones, Lennox, Mackenzie (*Vancouver Centre*), Stewart (*Lethbridge*).

At the suggestion of Mr. White, K.C., of counsel for the Committee, and on motion of Mr. Gardiner,—

Ordered,—That Mr. Achille Bergevin, 1801 Dorchester street west, Montreal, Quebec, be instructed to appear for examination on Monday, 20th July, at 2.30 p.m.

Mr. White, K.C., filed,—

Exhibit No. 108—Beauharnois Power Corporation, Limited. List of Class A Shareholders.

Mr. R. O. Sweezey, President, Beauharnois Power Corporation, Limited, was recalled.

Mr. White, K.C., filed,—

Exhibit No. 109—Marquette Investment Corporation cheque dated June 4, 1930, for \$199,512.16 payable to Dominion Securities Corporation.

Voucher for \$44,000 of Dominion of Canada 5½ per cent 1934 bonds and \$150,000 Dominion of Canada 5½ per cent 1933 bonds.

The protection of the Canada Evidence Act having been asked for by Mr. Sweezey, and obtained, he was further examined.

Mr. Sweezey retired.

Mr. Hugh B. Griffith, Secretary Treasurer, Beauharnois Power Corporation, Limited, was recalled. Having asked for and obtained the protection of the Canada Evidence Act, he was further examined.

Mr. Griffith retired.

Mr. John Aird, Jr., Engineer, Toronto, Ontario, was called, sworn, examined and cross-examined.

On motion of Mr. Jacobs,—

Ordered,—That the following bank officials attend for examination on Monday, 20th July, at 2.30 p.m., and that they severally produce then any correspondence or instructions received from John Aird, Jr., or from anybody else respecting deposits of bonds, etc., made by John Aird, Jr., together with accounts, ledgers, etc., showing entries, viz:

1. C. F. Lemon, Manager, Discount Department, Royal Bank of Canada, Toronto, Ontario.

2. W. J. F. Ross, Assistant Manager, Securities Department, Canadian Bank of Commerce, Toronto, Ontario.

3. D. D. Macleod, Messrs. Aird, Macleod and Company, 404 Royal Bank Building, Toronto, Ontario.

4. A. M. Maclellan, Canadian Bank of Commerce, Yonge and Colborne Branch, Toronto, Ontario.

5. Mr. Russell, Assistant Manager, Bank of Nova Scotia, Toronto, Ontario.

Mr. Forsythe, K.C., of counsel for Beauharnois Power Corporation, Limited, filed,—

Exhibit No. 110—Bank of Montreal cheque, December 5, 1929, for \$847.78, payable to Cash. Signed by Hugh B. Griffith and endorsed "D. T. Main".

On motion of Mr. Jacobs,—

Ordered,—That Sir John Aird, President, Canadian Bank of Commerce, Toronto, Ontario, attend for examination on Monday, 20th July, at 2.30 p.m.

Mr. White, K.C., filed,—

Exhibit No. 111—Five letters from banks in Toronto, dated in July, 1931, to Mr. John Aird, Jr., together with Memorandum *re* bonds (Two yellow sheets).

Mr. Aird retired.

Ordered,—That Hon. Senator Donat Raymond attend for further examination on Monday, 20th July, at 2.30 p.m.

The Committee adjourned at 2.30 p.m., until Monday, 20th July, at 11 a.m.

JOHN T. DUN,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,

FRIDAY, July 17, 1931.

The Select Standing Committee appointed to investigate the Beauharnois Power Project met at 11 o'clock, Hon. W. A. Gordon presiding.

Appearances:—

Peter White, K.C., Louis Morin, K.C., B. H. L. Symmes, for the Committee.

G. H. Montgomery, K.C., L. A. Forsythe, K.C., I. F. Hellmuth, K.C., for the Beauharnois Company.

J. R. L. Starr, K.C., for Senator McDougald.

Hon. Lucien Cannon, K.C., for the Province of Quebec.

Lucien Moraud, K.C., for the Royal Trust Company.

Mr. WHITE: Mr. Gardiner informs me that Mr. Bergevin has indicated that he wishes to be heard before the committee. I suggest that the Clerk of the Committee be asked to communicate with him, advising him to be here Monday morning, and to get in touch with me, and I will find out what he wants to say. That was the course adopted by the committee in regard to Mr. Cantin. I shall endeavour to boil the thing down and find out whether there is anything of interest which is properly the subject of interest, and if there is, perhaps he could appear and give evidence.

Mr. GARDINER: I might say in explanation of Mr. White's statement just now that I got this telegram a moment ago from Montreal. I have never met Mr. Bergevin. He states that certain evidence has been given here which is quite incorrect, and he desires to appear before this committee to be heard. I move, Mr. Chairman, that he be called for Monday morning.

Mr. WHITE: Mr. Griffith was to furnish us at Mr. Gardiner's request with a list of the shareholders of the Beauharnois Corporation. May we have that now.

Mr. Griffith furnishes a list of Class A shareholders, from the National Trust Company Limited, Montreal Office, as of May 30, 1931, of the Beauharnois Power Corporation Limited.

Exhibit No. 108—List of Class A Shareholders, Beauharnois Power Corporation Limited.

Mr. WHITE: Then Mr. Griffith was to ascertain what the exact date of the beginning of the excavation of the canal was with embankments 3,300 feet apart.

Hon. Mr. MACKENZIE: Mr. Henry was to give us that.

Mr. WHITE: Have you got that, Mr. Henry?

Mr. HENRY: Actual construction on the north embankment was commenced on August 7th, 1929, in the vicinity of Lake St. Francis. Actual construction on the south embankment was commenced on April 23, 1930.

Mr. WHITE: Can you tell us how much excavation was done in 1929?

Mr. HENRY: In terms of yards?

Mr. WHITE: Yes.

Mr. HENRY: I am afraid I cannot.

Mr. WHITE: I would like to recall Mr. Sweezy.

ROBERT OLIVER SWEEZEY, recalled.

By Mr. White:

Q. You are already sworn, Mr. Sweezy?—A. Yes, sir.

Q. We have now arrived at a stage of these proceedings when I wish to take up with you the question of contributions of campaign funds?—A. Yes, sir.

Q. And I would like you to tell the committee what contributions you and your associates in the Beauharnois project, so far as your knowledge extends, have made?—A. Well, contributions were made by myself personally, and to some extent by the company. Those made by the company I would like to refer you to Mr. Griffith who could be accurate in the thing. Contributions by myself were made somewhat in a confused way. I cannot tell you, probably never could tell precisely the amounts that I have contributed.

Q. Yes?—A. We have contributed to several parties.

Q. I am only referring now, you understand, to Federal contributions?—A. I understand.

Mr. JACOBS: Why do you restrict it, Mr. White?

Hon. Mr. MACKENZIE: Get them all out.

Mr. WHITE: I do not know whether we are concerned with provincial contributions. If what is bothering my friend is the question of any Ontario contributions I shall be very glad to open that up to the fullest extent.

Mr. JACOBS: Why do you want to open it up in Ontario any more than any other place?

Mr. WHITE: I am not suggesting that. As you know, Mr. Chairman, there has been a very considerable objection here to any interference or inquiry into matters affecting the Quebec Legislature. So far as I am concerned, I am perfectly agreeable to that objection being given effect to. I am entirely in the hands of the committee, and it is only because of the objections that have been made here from time to time by counsel representing the province of Quebec that I have taken that view.

Hon. Mr. MACKENZIE: If we are going to have anything about campaign funds I think we should have all campaign funds and from every source.

Mr. WHITE: That suits me. Of course, it is quite open to any member of the committee, I assume, to ask any questions in respect to the subject matter of campaign funds, and I was following what to me appeared to be the proper course and, of course, as counsel for the committee I am always subject to the direction of the committee.

Mr. LENNOX: I think the public perhaps will be more interested in campaign funds than they will in the amounts paid to the individuals. I am with Mr. Mackenzie, open it up, go to it.

The CHAIRMAN: I got the impression, rightly or wrongly, that we did not have any campaign funds.

Mr. JACOBS: Do you claim, Mr. Chairman, that they were abolished by order in council or by Act of Parliament?

The CHAIRMAN: Is Mr. Cannon here?

Mr. STARR: Mr. Hogg is here representing the province of Ontario.

The CHAIRMAN: His name is not on the record, how do you know that, Mr. Starr?

Mr. STARR: Mr. Hogg told me.

The CHAIRMAN: I think it would have been better if he had made himself known.

Hon. Mr. MACKENZIE: I think so too.

Mr. JACOBS: Is Mr. Hogg here?

Mr. HOGG: Yes, Mr. Chairman. I was instructed by the Deputy Attorney General of Ontario just to watch these proceedings more on account of the point of contact through the power contract with the Beauharnois Company. I have had no instructions in any other respect.

Mr. WHITE: It will probably be desirable, in view of what has been said, if Mr. Hogg were asked briefly whether at this stage he desires to intervene.

The CHAIRMAN: Well, he would not intervene under his instructions. He was sent here apparently by the Deputy Attorney General of the province of Ontario to watch these proceedings from the standpoint of the Hydro Electric contract, what bearing it might have on that.

Mr. HOGG: Yes, Mr. Chairman.

The CHAIRMAN: Those are your instructions?

Mr. HOGG: Those are my instructions, but if some other point affecting the province is liable to be taken up I would ask the opportunity to consult my principals.

The CHAIRMAN: Well, the fullest opportunity will be given.

Mr. WHITE: I do not suppose the Deputy Attorney General of Ontario is concerned with the subject of campaign funds.

The CHAIRMAN: Well, let us get on with this.

Mr. LENNOX: Yes, let us go ahead.

By Mr. White:

Q. Just tell the story in your own way, Mr. Sweezey?—A. May I ask the Secretary to give you the story as regards the company.

Q. I am asking you to tell us what you know?—A. I do not know anything precise, sir, as regards the company's contribution, and I think as regards my own—as I have already stated—I cannot be precise. I have given from time to time from my personal account to the Liberal party and some to the Conservatives.

Q. How much did you give to the Liberal party?—A. It would be somewhere around \$600,000 or \$700,000.

Q. And through whom did you contribute it?—A. I contributed to the collector whom I understood to be the organizer for the Liberal party.

Q. Who?—A. Senator Haydon and to Senator Raymond.

Q. How much to each, roughly?—A. Well, I cannot tell you. I do not know. It was done promiscuously to one or to the other, but evidently both had a knowledge of it on each occasion.

Q. And does that sum include any sum which you contributed, or which you say the company may have contributed?—A. There may be a little confusion in there, in some one or two small items. I have not worked it out to see whether part of it is marked as from the company or not, and I have some difficulty in working that out because of my own confusion. It was a very distasteful thing to me, and I purposely preferred not to know or remember much about it.

Q. Perhaps you can tell the committee your best idea as to the total contribution to the Liberal party through these two gentlemen?—A. Well, I would say that through these two gentlemen it would approximate probably \$600,000 from me, and—really till I get Mr. Griffith's figures I would only be guessing at it.

By Mr. Lennox:

Q. Give us your best guess?—A. Well, my best guess would probably be another \$100,000, perhaps more.

By Mr. White:

Q. So that the total contributions would run up well over \$700,000?—A. Yes.

Q. Then you spoke of contributions to the Conservative party. By the way, during what period were those contributions of which you have spoken made?—A. Oh, they were sometime prior to the last election, the last Federal election, not very long before.

Q. That was July 28th last?—A. Well, it was sometime previous to that.

By Mr. Lennox:

Q. What do you mean by "some time"?—A. Well, a matter of a few weeks. I could not deliver that amount of money in one fell swoop individually. I had to scratch it up where I could and from time to time.

By Mr. White:

Q. Then you spoke of contributions to the Conservative party. What amounts were they and to whom were they paid?—A. They were small amounts. Some of them were to help personal friends whom I had been helping, as a matter of fact, for a number of years in their campaign work.

Q. Tell us who they were and the amounts they got?—A. I contributed to Mr. Leslie Boyd on behalf of Mr. Bell's campaign.

Q. Mr. Leslie Bell's?—A. Yes at one time \$5,000 and some other amounts from time to time which I don't remember. At one time \$1,000 and sometimes smaller, varying from that amount. But in the total it did not amount to very much.

By Mr. Lennox:

Q. And, in justice to Mr. Bell, I think in his return he incorporated that?—A. I understand he declared it. He told me he would at the time.

The CHAIRMAN: What do you mean by his return, his election return?

The WITNESS: I understand some kind of form or return he has to make.

By Mr. White:

Q. And then who else if anybody?—A. Well, still speaking of Federal campaign funds, I do not recall of any specific—oh, yes I contributed to General McCuaig who, I understood, was the collector for the Conservative campaign fund in Montreal.

Q. How much?—A. \$10,000.

Q. Anybody else?

Mr. LENNOX: You did not treat us very generously.

Mr. JACOBS: They had other sources upon which they could draw.

Mr. LENNOX: How do you know.

Hon. Mr. MACKENZIE: We do know and you will hear about them too. Wait until we call Dominion Textiles.

Mr. JACOBS: The fact that the party is in power is some indication.

The WITNESS: They did not press me so hard, sir.

By Mr. White:

Q. Then who else, if anybody?—A. I do not recall anybody at the moment. As I pointed out before—I would like to add this that those were personal contributions and they did not in any way come out of the company's \$30,000,000 of financing.

Q. Which were?—A. I mean those contributions I have just spoken of.

Q. All of them?—A. They were personal contributions.

Q. Or are you speaking of the contributions to Mr. Bell and General McCuaig only?—A. Well, these are my own personal accounts. Now, some of these may be reported by Mr. Griffith; there is a little bit of confusion in my mind; but whatever difference there is as between what Mr. Griffith may report and I report is comparatively small, and I am not quite clear on which side some of these small amounts sit. What I want to say is, that all these contributions, like the contributions already referred to, made by certain members of the syndicate, came from friends entirely outside of the company. For instance, when I paid that money I paid for it with money of my own, which I had or acquired from friends.

By Mr. Lennox:

Q. It is safe to assume that if you were not interested in the Beauharnois project they would never have got \$600,000 from you?—A. I don't expect so. And what I want to make clear is, for the sake of the bondholders is that none of this money came from the bondholders.

Q. Have you told us all of the Federal contributions?—A. Yes, sir.

Q. Was there any proposal indicating a contribution to the Federal campaign fund through its organizer, General McRae?—A. Yes, a proposal came to me at one time to make a contribution.

Q. Of how much?—A. Of \$200,000.

Q. Was it made?—A. No.

Q. Why?—A. I do not know what happened.

Q. I understand that Mr. Bennett would not accept it?—A. I do not know that, but I presume that may be so.

Hon. Mr. MACKENZIE: It must have been gotten from some other place.

Mr. WHITE: I am not going to get into any argument or discussion with the members of the committee about that, I do not think, however, that it is to be assumed that it was gotten some other place.

Hon. Mr. MACKENZIE: Not only assumed; it will be proven.

Mr. WHITE: All right.

Mr. LENNOX: No doubt you will be able to prove it in view of what you have just said.

Hon. Mr. MACKENZIE: Not in this committee.

Mr. LENNOX: I do not think you should make such a statement unless you have evidence to support it.

By Mr. White:

Q. Inasmuch as it has been suggested that we go into the matter of provincial campaign funds, was any political contribution made to the Ontario Conservative Party?—A. Yes; again Mr. Griffith can give you particulars on that. I know we made a contribution to someone who represented himself as standing up for an Ontario fund of this kind.

Q. To whom did he make those representations?—A. To me.

Q. To you?—A. Yes, sir.

Q. And what did he say to you in that regard?—A. That he thought that a contribution would be in order to the Ontario Conservative Party because we would probably be having a lot more dealings with the Ontario people, and that gratefulness was always regarded as an important factor in dealing with democratic governments.

Q. How much was the amount?—A. \$125,000. That came from the company.

Q. How was the contribution made?—A. In Victory bonds.

Q. Can you furnish me with the numbers of them?—A. Yes; I have not got them here, but Mr. Griffith can furnish them.

Q. To whom were they delivered?—A. To Mr. John Aird, Jr., of Toronto.

By Mr. Lennox:

Q. When?—A. I do not know the exact date, but Mr. Griffith again can furnish that information.

By Mr. Jacobs:

Q. Immediately preceding the general election in Ontario?—A. No; I think it was some time after.

Q. After?—A. I am not sure about that. When you get on to dates I am very confused.

By Mr. White:

Q. It has been suggested, Mr. Sweezey, that the Hon. Howard Ferguson benefited personally by some contribution from your company?

Mr. JACOBS: Who suggested that?

Mr. WHITE: It has been suggested in the Toronto Globe, and other places.

Q. What do you say as to that?—A. No as far as I know. I certainly had no dealings with the Hon. Mr. Ferguson, nor did I ever know of any money going to him.

Q. Do you know as a fact whether he has participated to any extent whatever in this \$125,000 item of which you speak?—A. I certainly do not know anything of the kind.

Q. Has it been demonstrated to your satisfaction that he has not?—A. Well, it has been demonstrated to me that the funds referred to were certainly not in the hands of Mr. Ferguson or anybody like him.

Mr. JACOBS: There is no person like Mr. Ferguson. He is in a class by himself.

Mr. WHITE: I do not know whether I should pursue this line of inquiry any further at this stage in the absence of Mr. Cannon, Mr. Chairman.

The CHAIRMAN: I wonder where Mr. Cannon is.

Mr. WHITE: I do not know.

The CHAIRMAN: Is Mr. Aird in the room?

Mr. WHITE: Yes.

Mr. DORION: Ask him about the Province of Quebec.

Mr. WHITE: In the absence of Mr. Cannon?

Mr. DORION: Never mind Mr. Cannon.

Mr. WHITE: Very well.

Q. What contribution was made to the Quebec Provincial Party in connection with the Beauharnois project?—A. Contributions were made to both parties in Quebec. I am unable to state how much went to Quebec because in delivering securities to Senator Raymond and Senator Haydon we expressed the hope that some of those would be for the Province of Quebec, but we have no knowledge of how much went to the Province of Quebec.

Q. Can you tell me approximately how much was given to Senator Raymond?—A. No, because I never took account of what was delivered to one or to the other; I could not say within a very wide margin.

Q. A considerable amount?—A. Yes, I think it was a considerable amount of the total I spoke of.

Q. Could you give us some idea of the proportion of the total?—A. It might have been a couple of hundred thousand dollars of it, but again I qualify that by saying I do not recall just how much.

By the Chairman:

Q. Just at this juncture, so that it will not slip my memory, you stated, Mr. Sweezey, with respect to the parties in Quebec that in giving these funds to Senator Raymond and Senator Haydon you expressed your wish or hope that the parties in Quebec would benefit—

Mr. WHITE: "Participate."

Mr. JACOBS: Both parties?

The WITNESS: No, the Liberal Party in Quebec.

Mr. WHITE: I was just going to ask if Mr. Sweezey intended us to understand that he was giving these contributions to Senator Raymond and Haydon for the Conservative Party.

Mr. JACOBS: When you refer to the two principal parties who are interested in the political welfare of this country I do not think you should overlook the Progressive Party.

Mr. WHITE: I have no intention of doing so.

Mr. JACOBS: I am here to see that justice is done to everyone.

Mr. WHITE: I shall cover that in a moment, sir.

Mr. JACOBS: Thank you.

Mr. WHITE: Perhaps you may think it was cold justice when you hear the amount.

Q. Outside of the contributions that were expected to be participated in out of the funds furnished by you to Senator Raymond and Senator Haydon were other contributions, to your knowledge, made to Quebec political campaign funds?—A. Some were made to the Conservative Party in Quebec.

Q. How much?—A. I think it was about \$30,000, but again I refer you to Mr. Griffith for the correct amount.

Q. And how much to the other side, if anything, outside of the contributions through these two Senators?—A. I do not know of any.

Q. You do not know of any?—A. No.

The CHAIRMAN: To the Liberal Party?

By Mr. Lennox:

Q. Besides what you gave to the two Senators?—A. That is all we gave; they were designated to us as the accredited men.

Q. Where these amounts paid at the same time?—A. No, they were spread over a period; I could not have paid it all at once.

By Mr. White:

Q. While I think of it, and before I take this matter up with some detail, were any contributions made to the Ontario Liberal Party?—A. Oh, trifling amounts.

Mr. JACOBS: According to what they deserved, I suppose?

Mr. WHITE: You mean the parties and not the contributions.

By Mr. Jacobs:

Q. The party?—A. I do not recall exactly; it might have been \$1,000 or \$2,000 or \$3,000.

By Mr. White:

Q. To whom was that given?—A. That was contributed to Mr. Parker.

Q. W. R. P. Parker?—A. Yes.

Q. Were those items charged to legal expenses?—A. No; that was work that Mr. Parker did.

By Mr. Lennox:

Q. Is Mr. Parker interested in the Beauharnois Company?—A. Not to my knowledge. He got the fee as a retainer for some work he was doing in Toronto, but that had nothing to do with this case here.

Mr. LENNOX: Parker was President of the Ontario Liberal Association.

Hon. Mr. MACKENZIE: Is Mr. Lennox desirous of giving evidence now?

Mr. LENNOX: No, but don't you want the information?

Hon. Mr. MACKENZIE: Certainly, and we are getting it too.

Mr. JACOBS: Men who get only \$1,000 should be removed from office; it is absurd.

By Mr. Lennox:

Q. You said Senators Raymond and Haydon were designated as the proper persons to whom you should pay this fund. Who designated them?—A. Nobody specifically designated them; I just happened to know it; they came and told me they were.

By Mr. White:

Q. There is an item here, cheque No. 1785 of the Marquette Investment Corporation, dated 17th March, 1931, payable to cash and endorsed by you and charged to accounts receivable, for \$20,000. Tell me what became of that sum?—A. What is the date of that?

Q. March 17, 1931?—A. I think probably that must be the item contributed to the Conservative Party in Quebec.

By Mr. Jacobs:

Q. Who got that?—A. That went to the funds of the Conservative party.

Q. Who received the money?—A. Mr. Cartier; I understood it was an behalf of Mr. Houde's party.

By Mr. White:

Q. Then the \$120,000 item which I see here—you said \$125,000—which was a profit made by Mr. Griffith on 8,000 shares of Marquette Construction Company which you purchased for \$5 a share and sold to the Beauharnois Construction Company for \$20 a share—is that correct?—A. Mr. Griffith will have to speak for himself on that because I did not know the details and particulars.

Q. Have you any doubt as to the correctness of it?—A. Since you mention it there I am quite satisfied it must be so.

Q. And I suggest to you that it was charged to Property, Roads and Interest account of the Beauharnois Company?—A. That may be so.

Q. And that is how the funds for the purchase of the bonds which you have spoken of were produced?—A. Yes.

Mr. LENNOX: Are we going to get the numbers of these bonds?

Mr. WHITE: Oh, yes.

Q. I see also an item of \$157,121.20 under the account of the National Press Limited as at 31st December, 1930?—A. What is the amount?

Q. \$157,121.20?—A. Yes, sir.

Q. I suggest to you that on June 4, 1930, \$194,000 of Dominion of Canada bonds were purchased from the Dominion Securities Corporation. What do you say as to that?—A. That is part of the funds Mr. Griffiths will explain to you. I would not attempt to explain it because I would be completely confused.

Q. I show you a cheque dated June 4, 1930, of the Marquette Investment Corporation, payable to Dominion Securities Corporation for \$199,512.16. Do you recognize the signatures?—A. Yes.

Q. And apparently it is endorsed with a rubber stamp by the Dominion Securities Corporation, payable to the order of the Canadian Bank of Commerce, and the voucher attached to it is for \$44,000 of Dominion of Canada 5½ per cent 1934 bonds and \$150,000 of Dominion of Canada 5½ per cent 1933 bonds?—A. Yes.

Q. I suggest to you that the \$150,000 of bonds were used for the purpose of political contributions. What do you say as to that?—A. I believe so.

Q. To whom?—A. Again I do not know the details of that special delivery and must refer you to Mr. Griffith.

Mr. LENNOX: I think you said \$150,000 went to political circles.

Mr. WHITE: Yes. I understand the balance came back to the company.

EXHIBIT NO. 109

Marquette Investment Corporation cheque, dated June 4, 1930, for \$199,512.16, payable to Dominion Securities Corporation.

Voucher for \$44,000 of Dominion of Canada 5½ per cent, 1934 bonds and \$150,000 Dominion of Canada 5½ per cent, 1933 bonds.

By Mr. White:

Q. I suggest to you that \$44,000 came back, and there was a declaration and defineney of \$20,000, and that is how the \$20,000 that you spoke of as a contribution to the Conservative Party was procured?—A. I do not know just how the entries were made up, that may be so.

Mr. FORSYTHE: Before my friend, Mr. White, proceeds with the examination, in fairness to Mr. Sweezey, I would ask that a record be made in the minutes that with respect to any contributions and any evidence given in respect to those contributions made, that Mr. Sweezey receive the benefit of the provisions of the Canada Evidence Act.

The CHAIRMAN: I had that in mind, I was just going to bring it out. I think he certainly should receive the benefit of it.

Mr. FORSYTHE: It was perhaps my own stupidity that caused me not to ask for it before. I think the committee, in fairness to Mr. Sweezey, should date it back to the evidence he has given.

Mr. WHITE: It had better be done in the proper form.

Mr. LENNOX: Is there anything illegal in that? I did not know.

Mr. WHITE: I know you did not know.

Mr. FORSYTHE: Whether legal or illegal, there is no harm in Mr. Sweezey having the benefit of the provisions of the Act. I think the proper proceeding is that he himself should ask for the protection of the Act.

Mr. WHITE: That is not quite it. If you will allow me, I will cover it. The proper course is for Mr. Sweezey to object to answer the question on the grounds that it may incriminate him, or tend to expose him to civil proceedings, and that if he is forced to answer the question, or required to answer the question by the committee, the committee can then say that what he does say shall not be

used against him; that any evidence which he gives shall not be used against him in any subsequent civil or criminal proceedings, except one for perjury in the giving of the evidence. I may say I have recently been through that very fully, and I happen to be familiar with the practice.

Mr. FORSYTHE: In the halcyon days when I was running around in the fair Province of Nova Scotia, it frequently became necessary for clients put on the defence to ask for such protection, and while I do not quarrel with Mr. White's suggestion, his views and mine do not exactly coincide.

Mr. WHITE: It is understood that Mr. Swezey has objected to answer on these grounds, and that he is compelled to answer, and that the committee has ruled that this evidence shall not be used against him in any subsequent criminal or civil proceedings.

The CHAIRMAN: Except for perjury.

Mr. WHITE: Except for perjury.

The CHAIRMAN: Is the committee content? Agreed.

Mr. FORSYTHE: May I suggest that I be permitted to meet with my learned friend, Mr. White, so that we can have the protection entered at the proper place in the evidence.

The CHAIRMAN: Quite so.

By Mr. White:

Q. Apart from what you have told us, you are familiar I take it, with the report of your auditors for the year ended December 31, 1930, dated March 7, 1931?—A. Yes.

Q. I have been handed a copy, Mr. Chairman, of the report by the representative of Price-Waterhouse and Company which has been furnished by Messrs. P. S. Ross & Sons, and that report is this:—

We have audited the books of account of Marquette Investment Corporation for the year ended December 31, 1930, subject to substantiation of the value of the general accounts receivable. We are of the opinion that the attached balance sheet together with relative revenue and surplus account are properly drawn up so as to exhibit a true and correct view of the financial position of your corporation at December 31, 1930, according to the information and explanation received by us and as shown by the books of the corporation.

So that the report is, subject to the qualification as to accounts receivable, this amount that I have just spoken of?—A. That is correct.

Q. Now, are there any further political contributions that you have made, other than the ones you have just mentioned?—A. I do not recall them.

Q. Because I want to get right to the bottom of it. It was suggested by Mr. Jacobs that you be asked if you had made any contribution to the Progressive party, the Labour Party—

Mr. JACOBS: They are not constituted to receive contributions. They could only do in a personal capacity. They are a new party and not highly organized.

Mr. WHITE: Not highly organized.

The WITNESS: I am sorry to say I forgot Mr. Gardiner's party when we were dealing with contributions, or Mr. Gardiner must have forgotten me.

Q. Were any payments made to any member of that party at any time?—A. I, at one time—after Mr. Gardiner's attack on Beauharnois last year I was rather anxious that he, Mr. Gardiner, or some members of his party should come down to look over the works and see what there was. I felt that there were a great many unfair things said about us, and if I could get them down

there to see, they would perhaps change their minds. I sent a man out west to try to interview them and induce them to come, and he had to make two trips; and then I got Dr. Hodson, of Winnipeg, to induce them further with the possibility of getting these gentlemen to come east—

Q. Did Dr. Hodson have some connection with National Press Limited at that time?—A. No, except as an occasional caller at the place, I believe, or a visitor.

By Mr. Jacobs:

Q. Who is Dr. Hodson?—A. He is, I understand, the President of the Conservative Association in Manitoba.

By Mr. White:

Q. Yes. Was he doing some work with you in connection with the National Press Limited?—A. Yes, and he was also—

Q. The National Press Limited was an organization, I understand, which acquired control of several newspapers in the west?—A. Yes.

Q. Foreign newspapers?—A. Yes. And the way the National Press comes into this picture is in borrowing from the Marquette Investment Company, in putting the stock of the National Press Limited as collateral for the loan. That is how the name National Press, comes in.

Q. In other words— —A. It was just merely a stock put up as collateral for a loan.

Q. A loan which you obtained from Marquette Investment?—A. Yes.

Q. In order to enable you to make those contributions?—A. Yes.

Mr. JACOBS: Let Mr. Sweezy continue.

The WITNESS: Now, as I said, in making these attempts to have a visit from these gentlemen from the west, I had to pay the expenses of Dr. Hodson and of another man whom I sent out there on two occasions, and I gave \$2,000 to Dr. Hodson for that purpose. Now, as he had to pay his own expenses, and as I said, on two or three trips, and the three gentlemen in question finally did come. The three of them came to see us—

By Mr. Jacobs:

Q. Who were they?—A. Mr. Campbell, Mr. Irvine and Mr. Garland.

Q. Mr. Garland the member for Bow River?—A. Yes. We paid their hotel expenses.

Q. Did you pay them any cash?—A. No, sir.

Q. Nobody paid them any cash or bonds?—A. No, sir. Nobody paid them any cash.

Q. Dr. Hodson was given \$2,000 to defray— —A. That was for the expenses of Dickinson and himself, and the trips that he had to make from Winnipeg and various points in the west to see these gentlemen.

Q. And the expenses of those trips— —A. I do not know what he— —

Q. Yes?—A. We paid the hotel expenses, and I presume Dr. Hodson himself paid their other expenses.

Q. As a matter of fact, was there not an amount of \$150 paid each of these three gentlemen?—A. I do not know what may have been paid them. If there was \$150 paid them, it was for their expenses. I want it to be clearly understood, there was nothing paid to these gentlemen as far as we were concerned. I considered them honourable gentlemen, and they came to visit us, and the imputation that they received money from us is a very evil one.

Q. The \$2,000 was given by you to Dr. Hodson?—A. Yes.

Q. And that was, as I take it, to defray all expenses, so far as you are concerned in connection with the trip east?—A. Yes.

Q. Did you get a detailed voucher from him as to what the \$2,000 covered?
—A. No, sir.

Q. Did you get a detailed voucher from him as to what the \$2,000 covered?
—A. No, sir: I did not ask him for it. I know he had done a lot of work for me in various ways. I expect the \$2,000 covered that as well as the expenses for these gentlemen.

Q. And the three members who visited the works on that occasion were the ones you have stated?—A. Yes.

Q. Now, was there any other contribution made by you or any of the Beauharnois Companies to any political party or group or to any person on behalf of such, other than the ones you have now told us about?—A. I do not recall any, sir.

Q. Are you satisfied you have told me all of them?—A. I think I have so far as the confused state of my mind goes, because as I started out to say I was very much confused in this and I was desirous of not remembering it any more than I could help.

Q. Your memory does not quite obey your will?—A. I cannot help remembering the amount. What I mean is I cannot furnish details of these transactions.

Q. I see.

By Mr. Lennox:

Q. The cheque is for \$199,512.16 while the voucher is for \$194,000—A. The bonds probably were at a premium.

Q. And you attribute the difference to—A. To probably the premium on the bonds, or the interest. I don't know.

The CHAIRMAN: Does anybody desire to ask Mr. Sweezey any further question?

Witness retired.

Mr. WHITE: Is it the desire of the committee to hear Mr. Griffith.

HUGH GRIFFITH, recalled.

By Mr. White:

Q. You are already sworn, Mr. Griffith?—A. Yes.

Q. Mr. SWEZEY has referred us to you for greater certainty in this matter.

Mr. FORSYTHE: I take it that the same objection is taken by Mr. Griffith with respect to any contributions, and that the same ruling will follow.

Mr. WHITE: I am content. That is you object to answering on the ground that your answers may tend to incriminate you or expose you to civil proceedings?

WITNESS: I do.

Mr. WHITE: And you ask to be protected under Section 5 of the Canada Evidence Act?

WITNESS: I do.

Mr. WHITE: And the committee rules, I understand——

The CHAIRMAN: That protection be given.

Mr. WHITE: —that anything that you say in respect to this subject shall not be used against you in any subsequent criminal or civil proceedings, except a proceeding for perjury, in the giving of this evidence.

By Mr. White:

Q. Can you tell us the amount contributed, taking it in the order in which Mr. Sweezey gave it to us—the exact amount contributed by the company to Senator Haydon and Senator Raymond for the campaign funds of their party?

—A. I am afraid, Mr. Chairman, I am not prepared to give the figures with the degree of exactness or correctness that would be required. I can prepare myself and make such a statement. I regret to say that to the best of my knowledge—and I think it is fairly complete—Mr. Sweezey has correctly reported all of the campaign fund contributions which he or this organization have made.

By Mr. Lennox:

Q. What do you put the total at?—A. The total?

Q. Yes?—A. The total from company funds?

Q. Through Senator Haydon?—A. The total from company funds is approximately \$295,000.

By Mr. White:

Q. You mean the contribution to the Liberal party?—A. The various amounts which the company gave to all or any party totals \$295,000.

Q. I asked how much of that went to the Liberal party through Senator Raymond or Senator Haydon?—A. That is a question, sir, which I would have to prepare myself before I could answer with any degree of certainty. I think—perhaps you would prefer me not to answer—

By Mr. Lennox:

Q. You think what?—A. I think \$120,000.

Q. Went to the Liberal party?—A. Yes. There is naturally some confusion both in Mr. Sweezey's mind and my own as to the distinction of funds from the company and from his personal account. They were made at the same time, and there is some confusion.

By Mr. White:

Q. How much to your knowledge, was contributed to the Quebec Provincial Conservative party?

Hon. Mr. CANNON: One moment.

Mr. JACOBS: Mr. Cannon, this is the Conservative party.

Hon. Mr. CANNON: Whether it is the Conservative party or the Liberal party, it makes no difference; the principle is the same. If this committee wishes to take upon itself—

The CHAIRMAN: The interest is not the same, although the principle may be the same.

Hon. Mr. CANNON: If the committee wishes to take upon itself to investigate Quebec matters, it is for the committee to decide.

Mr. WHITE: Unfortunately, Mr. Cannon, in your absence the committee did decide.

Hon. Mr. CANNON: Yes, I was rather surprised that my learned friend in my absence took upon himself to bring that evidence when he knew I was interested.

Mr. WHITE: Don't blame me, because I suggested to the committee that we wait until you got here, and they did not wait for you.

Hon. Mr. CANNON: I am sorry the committee decided otherwise.

Mr. WHITE: Don't blame it on me; I have enough sins to answer for.

Hon. Mr. CANNON: In my province the ethics of the profession are generally observed.

Mr. WHITE: My learned friend must not make that insinuation and allow it to go out in the press. I ask you, Mr. Chairman—and I think I am in the judgment of the committee—as to whether in my conduct of your business here I have not observed in the strictest sense the ethics of the profession?

Hon. Mr. CANNON: If my hon. friend will allow me, I do not wish to reflect in any way upon my hon. friend. All through the investigation—

Mr. WHITE: The unfortunate part of it was that you left it open to that construction.

Hon. Mr. CANNON: If I did I withdraw it.

Mr. WHITE: That is very good of you.

Hon. Mr. CANNON: I will not have my hon. friend think for one moment that I wanted to reflect on him in any way.

The CHAIRMAN: When you were absent this morning, Mr. Cannon, this matter of contributions to the party funds came under review with Mr. Sweezy. I think I raised the point that it was desirable that you be here before we said anything about anyone in the Province of Quebec. Mr. Mackenzie of the committee made his position quite clear that no one should be exempted from investigation. Frankly, my view was and is the same as Mr. Mackenzie's, although I confess that there may be grave doubts as to whether this committee has any right to go into inter-departmental things in the Province of Quebec. We have refrained from doing that, but it was because of the view expressed by members of the committee that there was no such sanctity—I am using that word in connection with political parties themselves in any province—that we could scarcely extend the ruling, or I might say, torture the ruling to protect political parties as such. I did, at one time, have a very high regard for all political parties, and I hope I will be able to continue to think they are all right.

Mr. JACOBS: You should have more regard for them now than ever.

The CHAIRMAN: Why?

Mr. JACOBS: Because of their activities.

Hon. Mr. MACKENZIE: I took the stand that any campaign fund at all, so far as it affected the Beauharnois project, should be placed before the committee. I do not think we have any right at all to investigate the affairs of the Province of Quebec or the Province of Ontario. I think we have the right to investigate the transaction as far as the Beauharnois project is concerned under our term of reference.

The CHAIRMAN: That is my view.

By Mr. Lennox:

Q. Approximately how much money did the Federal party—Liberal party—get either through Mr. Sweezy or through the Beauharnois Company, or through both?—A. Subject to qualification, that part of it may have been—I will not say diverted—but passed to the Liberal party of the Province of Quebec.

Mr. JACOBS: Contributed is the word.

WITNESS: Contributed.

The WITNESS: The amount of between \$700,000 and \$750,000 covers the total contribution. I can only give evidence in regard to the company contributions with any degree of accuracy.

By Mr. Lennox:

Q. I am speaking of the Federal Conservative party. Were there any contributions made by the company to the Conservative party at the last

election or at any other time?—A. There was a total, I think, of \$25,000 which was given, as Mr. Sweezey has testified, to the Conservative organization.

The CHAIRMAN: No, he said to friends whom he had helped before. And he named one, Mr. Leslie Bell.

The WITNESS: That is right. In our mind, I may say they were regarded as a contribution to the Conservative organization.

By Hon. Mr. Mackenzie:

Q. Was not there anybody else outside of Mr. Bell?—A. General Eric McQuaig and Mr. Cartier.

Q. There was no other candidate for the House of Commons except Mr. Bell?—A. Oh, no.

Q. Will you tell us about that interview you had with General McRae?—A. Unfortunately I was not present.

Q. Mr. Sweezey was?—A. I don't know whether he was or not. It was reported to us—

Q. What was reported to you?

Mr. WHITE: Surely, Mr. Chairman—

Hon. Mr. MACKENZIE: We have had lots of that in this investigation.

Q. What is your conception of the discussion with General McRae in regard to the contribution of \$200,000.

Mr. WHITE: Of course, you are taking evidence that is not under oath.

Hon. Mr. MACKENZIE: It is under oath. We have had lots of that same sort of evidence in this inquiry. It is a rather surprising situation when a member of this committee is being corrected by counsel who is not a member of the committee. Your business is to get out the truth and the whole truth.

Mr. WHITE: And I think the proper thing to do would be to ask the gentleman who was present.

Hon. Mr. MACKENZIE: I do not need to be told by you or any other counsel how it is to be done.

Mr. WHITE: I hope I am not in any way running contrary to the opinion of the committee when I say that I suggest—and I think I am fulfilling my duty when I do suggest—that the proper way to get this particular evidence, on a matter of vital importance, is to have it first-hand and not to accept evidence of a report of what happened from somebody else.

Mr. LENNOX: You are on solid ground, Mr. White.

Hon. Mr. MACKENZIE: We have had lots of that sort of thing during this investigation.

Q. What is your understanding of the interview with General McRae?

The CHAIRMAN: I would not allow that in with Mr. Sweezey present, the man who was present at the interview.

The WITNESS: I can only say my understanding as Mr. Sweezey testified.

By Mr. Jacobs:

Q. You were not present?—A. No, I was not present.

By Hon. Mr. Mackenzie:

Q. Was Sir Herbert Holt mixed up in that interview at all?

The CHAIRMAN: He was not there.

Hon. Mr. MACKENZIE: The Chairman seems to know more than I know about this. I am asking if Sir Herbert Holt was there.

The CHAIRMAN: How can he tell when he was not present himself.

Hon. Mr. MACKENZIE: There has been a lot of hearsay evidence allowed in this investigation.

Q. Was he mixed up in this transaction in any way, directly or indirectly?—A. I would like to answer with complete frankness, and yet I hesitate to give information of which I have no absolute knowledge.

By Mr. Jacobs:

Q. Who has absolute knowledge?

By the Chairman:

Q. Who would know? Would Mr. Sweezey know?

By Mr. Jacobs:

Q. Was there a reception committee to receive Sir Herbert Holt when he came?—A. Oh, no. I would not go so far as to say that.

By Hon. Mr. Mackenzie:

Q. Does Sir Herbert Holt have an interest in the Beauharnois at the present time?—A. Not to my knowledge.

Q. Does he own any shares?—A. What do you mean by Sir Herbert Holt?

Q. Well, by himself, or by his agent, servant, secretary or otherwise?—A. Well, to the best of my knowledge he has not.

Hon. Mr. MACKENZIE: Well, we had better call his secretary, Mr. Codin.

Mr. LENNOX: I do not see how any discussion arises over Holt. His name has not been mentioned in any way.

Mr. JACOBS: It may be.

Q. Why do you seem to hedge so much in giving your testimony on this matter, Mr. Griffith? You have been pretty frank up to the present time?—A. And I hope I will continue to be frank. I have been asked to give with a greater degree of exactitude than Mr. Sweezey was able to give, particulars about the contributions which either he or the company made to various parties. I think I realize the importance and the significance of the kind of evidence which is involved and I would like to give it with extreme accuracy or else not give it at all, because I am quite willing to place at the disposal of the committee all that I know, and I think the committee realizes that I have done that insofar as the books of this company are concerned, and all of its records from beginning to end of the inquiry. I will continue to do it. But now, more than ever, I think I feel a responsibility for giving my evidence with absolute accuracy or else not giving it at all.

Q. You mean as to figures?—A. As to figures and as to individuals. As to motives and reasons I find great difficulty in giving any evidence.

By Mr. White:

Q. Was there any contribution to the Liberal party of the province of Quebec other than through Senator Haydon or Senator Raymond?—A. Not to my knowledge.

Mr. CANNON: I would like to have a ruling on this, Mr. Chairman.

Mr. LENNOX: He says not to his knowledge.

Mr. CANNON: I do not care whether he answers or not. My learned friend seems to have a particular liking to the provincial field in this matter.

Mr. WHITE: No, no. My learned friend must not say that. That has not been my attitude.

Mr. LENNOX: He talked about Ontario.

Mr. CANNON: I do not care whether he talked about Ontario or not. My attitude is most simple. I say that insofar as Ontario is concerned, so far as

Quebec is concerned, or insofar as other provinces are concerned, this committee has no jurisdiction to investigate.

The CHAIRMAN: Mr. Cannon, let us get the position made abundantly clear. You are here representing the province of Quebec?

Mr. CANNON: Yes.

The CHAIRMAN: The question has been asked the witness as to whether or not contributions were made to the Liberal party of Quebec other than those moneys which were received through the agency of Senator Haydon and Senator Raymond. You take exception to the witness making answer to that question. I assume you are taking that objection by reason of the position you hold before this inquiry. Now, will you just state to me your reasons in support of your objection?

Mr. CANNON: The reason is very simple, Mr. Chairman. A committee appointed by parliament has the authority which is conferred upon it by its order of reference.

The CHAIRMAN: Yes.

Mr. CANNON: And no other.

The CHAIRMAN: Quite.

Mr. CANNON: If you read the order of reference, Mr. Chairman, the order of reference says that this committee is to investigate, first, the Beauharnois scheme from its inception, but within the jurisdiction of the Dominion.

The CHAIRMAN: Yes. So that the order of reference in its terms may be refreshed in your memory, I will refer to it:

To investigate from its inception the Beauharnois project for the development of Hydro Electric energy by the use of the waters of the St Lawrence river so far as the matters referred to are within the jurisdiction of the Parliament of Canada and without restricting the generality of the——

Mr. CANNON: Mr. Chairman, then comes in the question of jurisdiction.

The CHAIRMAN: Quite so, then am I to take it that you are confining your objection to the fact that contributions to the Liberal party funds in the province of Quebec——

Mr. CANNON: And the Conservative party.

The CHAIRMAN: We already have the Conservatives; the Conservatives apparently raise no objection. Am I to take it then that you are confining your objection, that contributions to the Liberal party funds are outside the purview of the powers of this committee?

Mr. CANNON: Certainly, no doubt about that.

The CHAIRMAN: I am afraid I cannot agree with you, Mr. Cannon.

Mr. CANNON: Well, I do not want to delay the proceedings. My view has been explained before the committee on several occasions and I will repeat it and put my position very plainly. This committee has the authority and the power which has been given to it by the House of Commons and no other. That power and that authority is contained in the Order of Reference.

The CHAIRMAN: Which says to investigate from its inception this project.

Mr. CANNON: Insofar as you have jurisdiction.

Mr. LENNOX: Does not that mean that we should not go into departmental matters that may arise? But surely there is nothing wrong in asking what contributions were made. That has nothing to do with the provincial Government that I can see.

Mr. CANNON: The system of government in Canada here under the British North America Act sets up provincial governments and a Dominion government.

The CHAIRMAN: It does not set up Liberal parties and Conservative parties.

Mr. CANNON: No.

The CHAIRMAN: Or even Progressive parties.

Mr. CANNON: That is one thing they did not do. But those governments are not subordinate.

Mr. LENNOX: It seems to me that so long as we do not go into the action of the Quebec government, or the Legislature, whatever it may be, that you have no reason to complain, and we have avoided that consistently.

Mr. CANNON: I have made my position fairly plain, and my objection is that I do not believe that this committee has the right to go into any matters connected with the province of Quebec, not only as regards the Liberal party, as my learned friend Mr. Lennox said, but as regards the Conservative party as well.

Mr. WHITE: Bringing it to its logical conclusion, that means we cannot investigate the project at all because it is all in the province of Quebec.

Mr. LENNOX: I do not think anybody should be protected. We are here as an investigating committee not as a party, and I think that the public demand the fullest investigation, and no person should be protected so far as contributions are concerned. The people want to know it, I want to know it.

Mr. CANNON: In investigating matters which are relevant to this House.

Mr. LENNOX: No, relevant to the project.

Mr. CANNON: No, but I mean relevant to this House.

Mr. LENNOX: This is an investigating committee.

Mr. CANNON: It would not be any use for this committee to investigate matters upon which it has no jurisdiction.

Mr. LENNOX: Don't you think it would be rather——

Mr. CANNON: After all this evidence is in, the committee will have to make a report.

Mr. LENNOX: Do you not think it would be interesting to the committee to know what sums have been contributed to the different parties?

Mr. CANNON: I do not think so.

Mr. LENNOX: Well, I do.

Mr. CANNON: I do not think so, because how can you report on it?

Mr. LENNOX: Of course, that is for the committee to decide.

Mr. CANNON: I know, but after all this investigation is being held for the purpose of bringing in a report. If there is no report there is no use having an investigation.

The CHAIRMAN: And conversely if there is no investigation there is no use having a report.

Mr. CANNON: There is no doubt about that. That is why the committee has been set up, and your authority is defined in your Order of Reference.

The CHAIRMAN: And it is clear.

Mr. CANNON: And that is not in it. It was set up to investigate only matters upon which you had jurisdiction.

The CHAIRMAN: Quite.

Mr. CANNON: Suppose it was found out, for instance, that the Prime Minister of a province, or a government of a province, had done something which should not have been done.

The CHAIRMAN: Just at that point, let me stop you there. When you say the Prime Minister of a province or the government of a province,—if the government of a province as a government has taken any steps in connection with this project that is something peculiar to the government of that province.

Mr. CANNON: Exactly.

The CHAIRMAN: And we have studiously avoided offering criticism, or even investigating the action of a government as a government. But if a Prime Minister of a province does something in his personal capacity then I do not think he can get any relief as far as being protected by this committee is concerned, no matter what province he may be Prime Minister of.

Mr. CANNON: You are perfectly right, Mr. Chairman, providing this committee has a capacity to draw the distinction between his personal capacity, as you have said, and his capacity as Prime Minister of the province.

The CHAIRMAN: I think we are in agreement then, Mr. Cannon.

Mr. CANNON: I think we agree.

The CHAIRMAN: And throughout I have given effect to your judgment, and we are not divided on anything now.

Mr. CANNON: I do not think we are.

The CHAIRMAN: Then let us get on.

By Mr. White:

Q. Do you know how much was received by the Liberal Party in Quebec for campaign funds?—A. I do not know.

Q. Who can tell us that? (No answer.)

By Mr. Dorion:

Q. What did you say?—A. I said I did not know how much the Liberal Party of the Province of Quebec received.

By Mr. White:

Q. Can you tell us who can tell us that? (No answer.)

By the Chairman:

Q. The Liberal Party, I suppose?—A. I did not know how to phrase that, but that is the correct answer.

Q. And they won't tell? (No answer.)

By Mr. White:

Q. Then I understand that you delivered certain bonds to Mr. John Aird, Jr.?—A. I did.

Q. When?—A. Some time in December, 1929. I cannot give the dates unless I prepare myself.

Q. And what were they?—A. Again I would like to consult my books, but according to my recollection—

Q. I want the numbers and series, and everything connected with it?—A. I am afraid I have not got them with me.

Q. Perhaps I could help you. Do you recognize the handwriting?—A. Yes. I will not question the correctness of it: 1937 Dominion of Canada Victory Loan 5½ per cent Coupon Bearer Bonds, bearing serial numbers: XX342914 E to XX343013 inclusive; 290718-9; 154300-01; 342260-61; 340637 to 340639; 342626 to 342632 inclusive.

Q. Is that the lot?—A. 231853 to 231855 inclusive; 231851.

Q. And where were these delivered?—A. In the city of Montreal.

Q. At what place?—A. Newman, Sweezey's office, 210 St. James St., Montreal.

Q. Where did you personally obtain them?—A. I purchased them from Newman, Sweezey & Company.

Q. You purchased them?—A. With the funds referred to. I obtained them in the office of Newman, Sweezey & Company.

Q. You obtained the money through a sale of Marquette shares?—A. Yes.

Q. 800 shares at \$5 a share?

Mr. MORIN: 8,000 shares.

By Mr. White:

Q. How many shares did you have?—A. I would have to look that up; it realized a profit of \$120,000.

Q. You bought at \$5 a share and sold at \$20 a share?—A. I imagine that is right.

Q. Realizing \$15 a share?—A. Yes.

Q. And out of the profit apparently made by you, you made this purchase?—A. Yes.

Q. For \$120,000?—A. The total cost was under \$125,000, \$124,000 and some hundredths.

Q. How many bonds did you deliver?—A. 120 bonds.

Q. 120 \$1,000 bonds?—A. Yes.

Q. That is, of the denomination of \$1,000 each?—A. That is right.

Q. And did you take any receipt for them?—A. I did not.

Q. You simply handed them to Mr. Aird?—A. Yes.

Q. Did you have any conversation with him at the time you handed them to him?—A. Not other than some joking remarks about the safety and security of carrying them.

Q. Tell us the whole of the conversation between you and Aird on that occasion.

By Hon. Mr. Mackenzie:

Q. Tell us what led up to the interview and why you were meeting him?—A. I was there largely on the instructions of Mr. Sweezey to complete a transaction which he had arranged. I had met Mr. Aird before in Toronto, so I was able to identify him as being Mr. Aird, and I gave him the securities, and I think we had no conversation other than some remark about: "How are you going to feel when you walk down the street with all these bonds"?

Q. What instructions did you receive from Sweezey before the interview?—A. To deliver that number of bonds and some cash balance, which I will have to ascertain about, to Mr. Aird.

Q. For what purpose?—A. It was understood in my mind that these bonds and this cash were in effect a contribution to the Conservative party of the Province of Ontario.

Q. How did you understand that?—A. I understood that as the result of the conversation I had with Mr. Sweezey.

By Mr. White:

Q. So all you know about it is what Sweezey told you?—A. I think that is correct.

By Hon. Mr. Mackenzie:

Q. Was Aird the only other man outside of Sweezey and yourself who was connected with this transaction?—A. I believe so; I cannot recall anybody else.

Q. Was there a man named Cook mixed up in it at all?—A. No, I do not think so.

Q. Do you know Cook?—A. No.

Q. Did you ever contribute any campaign funds to the Conservative party in Manitoba?—A. No.

Q. Did you make any contributions through Mr. Daly?

Mr. WHITE: Do you mean Mr. H. M. Daly?

Hon. Mr. MACKENZIE: Yes.

The WITNESS: No. Mr. Daly is in receipt of a retainer from our organization, but he is under no instructions to pass any part of his retainer on.

The CHAIRMAN: I do not think there is a possible chance of his doing so.

The WITNESS: I do not know whether he does or not.

By Mr. Dorion:

Q. Do you know how much was contributed to the Liberal party of the Province of Quebec?—A. No.

Q. Who knows that? (No answer.)

By Mr. White:

Q. Would not Senator Haydon and Raymond know?—A. Probably.

JOHN AIRD, jr. sworn.

By Mr. White:

Q. You live in Toronto, Mr. Aird?—A. Yes.

Q. What is your occupation?—A. Engineer.

Q. Are you connected with any companies?—A. I am on my own as an engineer, connected with contracting companies.

Q. Are you connected with the company known as the Champlain Construction Company?—A. Yes.

Q. Who is connected with you in that company?—A. Mr. Campbell, Mr. Drummond and Mr. Heney.

Q. Who are those gentlemen?—A. They are in the employ of different contractors in Montreal and Toronto: Anglin-Norcross and the Dominion Realty and Kennedy Bros.

Q. Are you also connected with a company called The Concrete Masonry Company?—A. I am a director of that company, too.

Q. Who is connected with you in that company?—A. H. A. Livingstone and T. H. S. Giles.

Q. Livingstone was formerly with the Metal Coat Company of Canada?—A. Yes.

Q. And Mr. Giles is an accountant?—A. Yes, an accountant and insurance man.

Q. You have heard the evidence of Mr. Sweezey and Mr. Griffith about the transfer to you 120 \$1,000 bonds?—A. Yes.

Q. Do you remember the date of the receipt of those bonds by you?—A. I could not say the exact date, but sometime in December. I think what Mr. Griffith said was about right, some time in December, 1929; I am not sure.

Q. What has become of these bonds, Mr. Aird?—A. You have the whole schedule there.

Q. Perhaps you had better tell it to the committee?—A. Shall I leave them all out? ?

Q. You have handed me a memorandum stating how they were disposed of?—A. Yes, and also the certificates.

Q. This memorandum reads in part:—

\$120,000 Dominion of Canada 5½ per cent—1937, disposed of as follows:—

\$40,000: In safekeeping at Canadian Bank of Commerce, King and Jordan Streets.

Nos. XX342924 to XX342963 E inclusive.

That is 40 bonds?—A. Yes.

Q. Have you anything to show that the Canadian Bank of Commerce has those bonds in safekeeping?—A. You have that right there.

Q. You show me a letter dated July 14, 1931, from Mr. W. J. F. Ross, Assistant Manager, Securities Department, Canadian Bank of Commerce, Toronto?—A. Yes.

Q. It is addressed to you?—A. Yes.

Q. This letter reads, in part, as follows:—

DEAR SIR: We beg to acknowledge receipt of the following securities, which are to be lodged for safe-keeping on your account: \$40,000—Dominion of Canada War Loan 5½ per cent Bonds, due 1st December 1937, Bearer with December 1931 and subsequent coupons attached, Nos. XX342924/63E inclusive—40 x \$1,000.

Then the next item in your statement is:—

\$10,000: Held by Royal Bank for a/c Champlain Construction Co., Ltd.

That is one of your companies?—A. Yes.

Q. And the numbers are XX342914 E to XX342923 E inclusive, and that accounts for ten of the bonds?—A. Yes.

Q. And in a similar letter from Mr. C. F. Lemon, Manager, Discount Department, The Royal Bank of Canada, dated July 14, 1931 and addressed to you, the following is stated:—

DEAR SIR: As requested we give below list of securities which we hold on account of Champlain Construction Company Limited and/or John Aird, jr., and at the foot of the letter:—

10,000 Dominion of Canada War Loan, 20 Years, 5½ per cent December 1, 1937. No. XX342914E-5-6-7-8-9-20-21-22-23?—A. Yes.

Q. Which accounts for ten of the bonds that you received?—A. Yes.

Q. Then the next item mentioned in your memorandum is:—

\$12,000: Held by Canadian Bank of Commerce, Yonge and Colborne Streets, for account Concrete Masonry: Nos. 342627 to 342632 inclusive; 231851; 231853 to 231855 inclusive; 342964-342965?

A. Yes.

Q. I show you a letter dated July 14, 1931, by Mr. A. M. MacLennan, pro Manager, The Canadian Bank of Commerce, Yonge and Colborne Branch, addressed to you, in which the following appears:—

Mr. JOHN AIRD, Jr.,
The Concrete Masonry Restoration Ltd.,
McKinnon Building,
Toronto.

DEAR SIR: This is to advise that the following bonds have been deposited with us as collateral to the advances accorded the Concrete Masonry Restoration Limited:

and amongst others:—

XX342627-32E; XX231851; XX231853-5E; \$12,000 Dom. of Canada 5½ per cent Dec. 1, 1937; XX342964-5E?

A. Yes; it is mixed up with some other bonds.

Q. Then the next item in your memorandum is:—

\$10,000: Exchanged for £3,100 G.T.P. 3 per cent 1962. Nos. 343004 to 343013 inclusive.

That accounts for ten bonds?—A. Yes.

Q. What has become of the £3,100 of G.T.P. which you exchanged for those bonds? I see your memorandum shows that £2,600 has been held at the Canadian Bank of Commerce, Yonge and Colborne Streets for account Concrete Masonry, and that you have sold £500 of it. What did you do with the proceeds?—A. Used them for my own personal account.

Q. The next item appearing in your memorandum is:—

\$10,000: Exchanged for \$11,000 Province of British Columbia $4\frac{1}{2}$ per cent 1955.—Nos. 342994 to 343003 inclusive.

That is ten bonds. What has become of the \$11,000 of Province of British Columbia bonds that you exchanged for that \$10,000 of bonds? I see by your memorandum—

Mr. WHITE: Mr. Chairman, for the sake of shortening the matter perhaps I need not refer to these letters in connection with each item now, because I can do it more expeditiously at the end.

Q. I see by your memorandum this:—

\$11,000: Province of British Columbia $4\frac{1}{2}$ per cent 1955. Later exchanged for \$11,500. Province of Alberta 4 per cent, 1957. \$9,500 held at Canadian Bank of Commerce for safe-keeping.

The numbers are given as follows:—

Nos. 1485, 1648, 1649, 1524, 1526, at \$1,000; 1507, 1508, 1509, 1510, 2032, at \$500.

Then:—

\$2,000: Held at Royal Bank for a/c Champlain Construction Company: Nos. 1511, 1512.

Q. And the next item is \$10,000 exchanged for \$11,000, Toronto Harbour Commission, $4\frac{1}{2}$ per cent, 1953, and the numbers of the Dominion of Canada bonds are 342984 to 342993, 10 bonds, and the \$11,000 of Toronto Harbour Commission, I see by the memorandum were exchanged for \$5,000 held at Canadian Bank of Commerce for safe keeping; \$1,000 exchanged for \$1,000 Eglington, Hunt & Holding Limited, which is held at the Canadian Bank of Commerce for safe keeping, number 213.

The CHAIRMAN: The witness is nodding, Mr. Reporter, so you will get his answer as "yes."

By Mr. White:

Q. Of these Harbour Commission bonds you sold \$5,000 worth?—A. Yes.

Q. What did you do with the proceeds?—A. Yes. For my own personal accounts.

Q. Then the next item is \$10,000 bond exchanged for \$12,000, Province of Saskatchewan, $4\frac{1}{2}$ per cent, 1957, and the numbers of these Dominion bonds are, it appears from this memorandum, 342969 to 342970, 342973 to 342980 inclusive?—A. Yes.

Q. Now, the disposal of the Province of Saskatchewan bonds, the \$12,000 that you received, was made as follows, according to this memorandum, \$4,000 were held at Aird, McLeod and Company. Who are Aird, McLeod & Company?—A. Stockbrokers.

Q. Are you a member of the firm?—A. No.

Q. Is your brother?—A. Yes, my brother.

Q. \$8,000 held by the Royal Bank of Canada for account of Champlain Construction Company. That accounts for \$12,000?—A. Yes sir.

Q. The next item \$4,000 was sold to the Dominion Securities Corporation, and the numbers are 342968, 342967, 342972 and 342966?—A. Yes.

Q. What did you do with the proceeds?—A. My own personal account.

Q. Used for your own personal account?—A. Yes.

Q. \$1,000 is the next, sold to Aird, McLeod & Company, on the 17th February, 1930?—A. There is a question mark after that.

Q. I understand you do not know the number of the bonds?—A. Not the number or date exactly.

Mr. WHITE: I may say to you, Mr. Chairman, and members of the committee that all of the bonds with the exception of the one ending in 71—I have forgotten the number—are accounted for in this memorandum.

By the Chairman:

Q. What happened to 71. You do not remember?

By Mr. White:

Q. We may practically identify it. The proceeds of the sale of that bond, whatever number it was, was used for what purpose?—A. My own personal account.

Q. Then \$3,000 held by the Bank of Nova Scotia as collateral security, numbers 342981 to 342983?—A. Yes, sir.

Q. And \$10,000 exchanged for \$12,000 Hydro-Electric Power Commission, 4 per cent, 1957, numbers 340637 to 342639 inclusive, number 342626, 154300, 154301, 342260, 342261, 290718 and 290719?—A. Yes.

Q. And you stated that they were exchanged for \$12,000 Hydro-Electric Power Commission?—A. Yes.

Q. And those bonds, \$12,000, are held by the Royal Bank for the account of Champlain Construction, Company, Limited?—A. Yes.

Q. Now, I ask you whether this accounts for all the \$120,000 bonds?—A. I think that is the case there.

Mr. WHITE: I may say, Mr. Chairman, it is a little tedious, but I personally have checked those with the numbers which have been given, and with the exception of the bond 342971, the numbers agree with the numbers of the bonds as supplied by Mr. Griffith this morning in his evidence, and with the exception of that one—I think that is the number that was given for this other one.

Q. Speaking generally, as to the total of the \$120,000 of bonds, what would you say as to whether you are holding, or had disposed of them in accordance with this memorandum?—A. Yes, sir.

Q. Then I show you one, two, three, four, five letters, and all addressed to you?—A. Yes, sir.

Q. What do you say as to the correctness of the statements made in these letters?—A. Yes, they are correct as far as—

Mr. MONTGOMERY: Addressed to whom?

Mr. WHITE: By various bank managers and so on.

Mr. JACOBS: You expect to have these gentlemen here as witnesses, Mr. White.

Mr. WHITE: I did not intend to.

Mr. JACOBS: Letters do not constitute evidence.

Mr. WHITE: I think letters of this kind can be introduced—

Mr. JACOBS: I thought we were all satisfied to have them here.

Mr. WHITE: I do suggest it is evidence; but I can very easily bring them. I do suggest it is a very unusual thing for a bank manager to write a letter admitting that his bank holds certain securities, if he does not hold them.

Mr. MACKENZIE: We want to ask certain questions. We also want to see Mr. Aird's private and special account.

Mr. JACOBS: You are only beginning this inquiry. We want them here.

Mr. LENNOX: What do you mean by saying "we are just beginning."

Mr. JACOBS: You will see later on.

Mr. WHITE: He is threatening.

Mr. JACOBS: No.

Mr. LENNOX: I have no doubt when Mr. Jacobs says that he means it.

Mr. WHITE: Is it the wish of the committee that the gentlemen who wrote these letters should be subpoenaed?

The CHAIRMAN: Certainly.

Hon. Mr. MACKENZIE: All the companies—

Mr. WHITE: What is it you want.

Hon. Mr. MACKENZIE: Personal cheques, bank accounts, and all other cheques of all of these companies.

Mr. JACOBS: Everything.

The CHAIRMAN: I think perhaps we had better apply that to Senator Haydon and Senator Raymond, too.

Mr. LENNOX: I think we ought to have an independent doctor go up and examine Senator Haydon.

Mr. WHITE: I do not know that we have the power to do that, except upon his consent or the consent of his physician.

Mr. LENNOX: I would feel very much more satisfied.

Mr. JACOBS: We are discussing now this gentleman and his various accounts. We will deal with that aspect later on.

The CHAIRMAN: You are raising rather an unusual point in respect to the correctness of these letters from various banking institutions. I have had somewhat of a casual acquaintance with the practice of the law, and only on rare occasions—I cannot presently recall one—were the men who certified such letters as these brought before a tribunal to verify the certification of the facts set out in the letters.

Mr. JACOBS: You would not have the temerity to refuse to have them brought here.

The CHAIRMAN: I do not like the way you put that. I have, from the beginning of this investigation, fallen in line with every suggestion that you made, no matter how fantastic it was.

Mr. WHITE: Even as to adjournment.

The CHAIRMAN: I am quite prepared, as far as I am personally concerned, and I trust other members of the committee feel the same, to have these gentlemen come here.

Mr. WHITE: May I have a perfect understanding of what they are to bring?

Mr. JACOBS: We want to investigate and find out, from cross examining these gentlemen, the circumstances surrounding the deposit of these certificates, and what was given in exchange for them.

Mr. WHITE: In other words, what they would have to bring then are the investment ledgers, or sheets of the investment ledgers of the respective banks, showing these entries.

Mr. JACOBS: Exactly.

Mr. WHITE: And any correspondence or instructions of Mr. Aird's or anybody else in respect to the deposit for safe keeping or as collateral or otherwise.

Mr. JACOBS: Yes.

Mr. WHITE: In respect to these particular bonds enumerated in the list?

Mr. JACOBS: Yes.

The CHAIRMAN: The committee, then, will get that.

The WITNESS: These people here are not managers of the banks. These people——

Mr. JACOBS: I cannot hear you.

The WITNESS: These are not managers of the banks, but discount clerks of the safekeeping department. They gave them to them, I suppose.

The CHAIRMAN: Get the officers of the various banks.

Mr. LENNOX: More particularly the production of the books.

Mr. WHITE: The private bank account of Mr. Aird, bank book and his cheques, from say the 1st of December, 1929, to the present time. Is that satisfactory?

Mr. JACOBS: Yes.

Mr. WHITE: Also the personal books of account and of the two companies mentioned here.

Mr. JACOBS: He is connected with several companies. Every company he is associated with.

The WITNESS: I have an apartment house in Toronto.

Mr. JACOBS: Bring it all.

The WITNESS: I may be associated with someone else.

Mr. WHITE: You understand that.

The WITNESS: I have what you want. I will get it for you. All right.

By Mr. White:

Q. I want to ask you whether the receipt of these bonds value was on behalf of any political party?—A. No, sir.

Q. You have heard——

By Mr. Jacobs:

Q. On whose behalf was it?

By Mr. White:

Q. On whose behalf was it?—A. On my own.

Q. Was it on behalf of anybody, or was anybody interested but John Aird, Junior, personally in these particular bonds to the extent of \$120,000?—A. No, sir, decidedly not.

By Mr. Jacobs:

Q. Did you so represent it to the people from whom you abstracted them?—A. No. I am sorry that he took it that way, but I did not mean it.

Q. You are sorry what?—A. I would be sorry if he took it that way.

By Mr. Mackenzie:

Q. Why should you get the bonds. It was a very convenient gift to you from Mr. Swezey?—A. Some years ago—some years before I had some negotiations with the Toronto, at least the Ontario Hydro Electric, regarding a contract which I tried to get, and with which Mr. White is quite familiar, on the

Madawaska River. Unfortunately I was not successful. I saw Mr. Sweezey trying to do the same thing, and I suggested to him that I could help him a great deal in the ins and outs of the thing if he would let me help him; and we decided to go ahead that way. I said, "I will get nothing if you do not get the contract, and if you get the contract, I get this much." All right.

By Mr. Jacobs:

Q. Get the Hydro Electric contract from Ontario?—A. That is what I was—

By Hon. Mr. Mackenzie:

Q. Was that the contract they actually got?—A. Yes.

Q. You were assisting him in the obtaining of this contract?—A. Yes.

Q. You were successful were you not?—A. Yes, I was. That is why I got the bonds.

Q. You got the bonds for getting the contract?—A. Yes.

Q. For your own purposes?—A. Yes.

Q. What interest did you have in the Ontario Hydro?—A. I had none whatever?

Q. Did you so represent yourself?—A. No.

Q. Sweezey was such a bright fellow, he was giving you \$120,000 because you had no interest whatever in the Ontario Hydro Commission?—A. I did not tell Sweezey that.

Q. What did you tell Sweezey?—A. I told him if he wanted to get the contract I could help him a great deal.

By Mr. Jacobs:

Q. In what respect did you help him?—A. Well, there were some arguments with regard to who should pay for a line fifteen miles or something to that effect—some argument where the power should be delivered and who should pay for this and that.

By Mr. Mackenzie:

Q. Whom did you see?—A. No one.

Q. Just stood idly by while all this was going on?—A. I talked with Mr. Sweezey.

Q. You saw only Mr. Sweezey?—A. I saw only Mr. Sweezey, nobody connected with the Hydro or Ontario Government.

Q. You got \$120,000 for doing nothing?—A. No. Not for doing nothing.

By Mr. Jacobs:

Q. How old are you?—A. 40.

Q. What business were you in before you went into these various companies that you mentioned?—A. I was in partnership with a man by the name of Marlard.

Q. How long were you with him?—A. I think about six or seven years.

Q. What business were you in?—A. We were trying to develop power and also to build hotels.

Q. Were you successful?—A. Never on power work.

Q. Never on power work until you met Mr. Sweezey?—A. We did build a hotel.

Q. Where was that hotel?—A. The Lord Nelson Hotel for the C.P.R., Halifax.

Q. When was that?—A. I have forgotten the date—1926 or—

Q. And after you built the hotel?—A. We decided we could not make it go.

Q. And then you reverted to power?—A. No. I went into concrete masonry.

Q. How long were you in that?—A. Approximately three years or so.

Q. Before you went in with Malard what were you doing?—A. Let me see. I was running a woollen mill in Hanover, which went broke.

Q. You could not make that go?—A. Well, we bought it under a wrong system.

Q. How was that?—A. We paid too much money for that.

Q. And how long were you in that?

Mr. WHITE: Nobody could make a wollen mill go at that time.

Hon. Mr. MACKENZIE: No objections, from counsel.

WITNESS: No. A couple of years. We took it over shortly afterwards.

The CHAIRMAN: The woollen mills have taken on a new lease of life lately.

By Mr. Jacobs:

Q. What were you in before you went into this?—A. An accounting concern—engineering accounting, sir.

Q. How long were you in that?—A. I don't know.

Q. Are you sure you don't?—A. A couple of years.

Q. One or two. That was unsuccessful?—A. No, It was not unsuccessful; it was a very successful thing.

Q. How is it you found yourself in the woollen business if this was successful?—A. For the simple reason I thought I could make more money out of a woollen mill, and that the purchase price of woollen mills would be a pretty good thing.

Q. You made a mistake?—A. Yes, I made a mistake.

Q. Before you were in the accounting business, what were you in?—A. Imperial Oil.

Q. How long were you in that?—A. I think about three years as engineer and accountant.

Q. And you left that?—A. Yes, joined the accountancy—the accounting concern offered me a pretty good thing.

Q. And you left the oil to go into accounting?—A. Yes.

Q. You found you had made a mistake that time too, because we find you subsequently, within a few months, in some other business?—A. Yes, I suppose that is right.

Q. And what were you in before you went into Imperial Oil?—A. In the flying corps in the war previous to the time I came out.

Q. You found flying successful because you are here to-day?—A. Not exactly successful. You ought to try some.

The CHAIRMAN: Mr. Jacobs' war record is no advance without security.

Mr. JACOBS: I am afraid that that was the record of Mr. Aird when he dealt with Mr. Swezey; he got the advance and security.

By Mr. Jacobs:

Q. You have been in about ten or twelve different businesses since you came back from the war?—A. No, it wasn't as many as that. Imperial Oil, Richards, Hanover—

Mr. STEWART: I do not see any relevancy in this.

Mr. JACOBS: We are discussing the credibility of this all important witness, and we want to test his credibility, and we want to see from him, from his own mouth what type of man he is; and that is why I am proceeding.

Mr. LENNOX: Your test is his success or non-success in his business ventures.

Mr. JACOBS: I think we have a right to know something about this gentleman.

By Mr. Lennox:

Q. What are your politics?—A. I haven't got any politics to speak of.

Mr. JACOBS: You haven't any politics to speak of.

By Mr. Lennox:

Q. You are a son of Sir John Aird who is an outstanding Liberal?—A. I could not tell his politics.

Mr. JACOBS: I do not think that is quite fair.

Mr. WHITE: He is president of a bank.

Mr. JACOBS: He is president of a bank and one of the most important men in Canada, but his son, evidently has not been so successful as his father.

The CHAIRMAN: Give him time.

Mr. WHITE: He did very well in Beauharnois.

Mr. JACOBS: A mere catspaw. He has got to admit one thing or the other.

By Mr. Jacobs:

Q. You say you got \$120,000 of bonds from these astute people.

The CHAIRMAN: Astute people?

Mr. JACOBS: These people.

The CHAIRMAN: They are pouring money around with abandon.

The WITNESS: I only talked with Mr. Sweezey at one time. I only had one talk with Mr. Sweezey.

Mr. JACOBS: Now, Mr. Sweezey stated here that you obtained these bonds from him on the understanding and agreement that it was to be turned over to the Conservative party organization.

The CHAIRMAN: No, he didn't say that.

Mr. JACOBS: What did he say?

The CHAIRMAN: He said that he gathered the impression.

Mr. JACOBS: I do not think he said that. We will have him back to say that.

The WITNESS: I am sorry if I gave that understanding; it was not my intention to do so.

By Mr. Jacobs:

Q. It was not your intention to turn this over to the organization at all?—A. No. I did not give Mr. Sweezey any communication that I was going to do so.

Q. You swear to that?—A. Yes.

Q. Why did you not give him receipts for these bonds? Can you tell me that? If this was a legitimate transaction, according to you, why was it that he did not have a receipt?—A. I do not know.

Q. You do not know.

The CHAIRMAN: Was the receipt given?

Mr. JACOBS: No receipt was given.

The CHAIRMAN: My understanding was to the effect—

Mr. WHITE: Mr. Griffith said so.

Mr. GARDINER: It is after one o'clock. Are we going to adjourn?

Mr. JACOBS: There is no hurry.

The CHAIRMAN: This is the first time Mr. Jacobs has not wanted to adjourn.

Mr. FORSYTHE: Mr. Chairman, Just before adjourning. I notice from the remarks lately made that there is a great deal of detail to be produced here at some time, and you are aware that I have what I consider a very important personal engagement which obliges me to leave by the four o'clock train this afternoon. Now, it is going to be a part of my duty to cross examine Mr. Aird and possibly to cross examine some other witnesses who will be produced in connection with this matter, and I am wondering if it would be possible—I want to urge it as a personal matter—to allow me to get away this afternoon.

Mr. LENNOX: I do not think Mr. Jacobs is leaving you any ground.

Mr. FORSYTHE: I may possibly cross examine from a different basis.

Mr. JACOBS: We are all seekers and searchers after truth.

Mr. FORSYTHE: I appreciate being associated with an endeavour of this kind.

The CHAIRMAN: It is very discouraging to seek after truth and never find it.

Mr. FORSYTHE: I want to feel sure that this matter will not be proceeded with in my absence.

The CHAIRMAN: So far as Mr. Aird is concerned we are through with him.

Mr. JACOBS: No. I am not so sure of that.

Mr. FORSYTHE: I wanted to leave Ottawa on the four o'clock train this afternoon, and I could return for Monday morning.

The CHAIRMAN: If Mr. Forsythe has a personal engagement, I would suggest that we go on and let Mr. Jacobs finish and have Mr. Forsythe follow with his examination. He has not got to go away until four o'clock, and we can conclude this matter now. I have a lot of work to do besides this. I have tried to be here all the time so as not to impede the work of the committee, but I have a tremendous lot of work to do.

Mr. FORSYTHE: When I am asking for a favour I do not want to complicate things any more than I can help; but you can quite understand that the production of all these other records—the bank records and records of these other companies—might and very probably would involve any person—whether a member of the committee or myself—who was examining Mr. Aird in the desire to examine him further, because I have not a doubt—

The CHAIRMAN: That right will be accorded you; but in the meantime we can go on with your cross examination until train time.

Mr. FORSYTHE: If you insist, I bow to your ruling.

The CHAIRMAN: We do not want to be unfair, but we must get on with this investigation, and we will give you plenty of time to get your train. We will send to Toronto for these records, and an opportunity will be afforded you on Monday, or such other time as you prefer, for further cross examination. Surely we cannot do better than that.

Mr. FORSYTHE: I really feel it would save this committee and myself a great deal of time if cross examination could be withheld until these other records arrive.

The CHAIRMAN: We have no other work to occupy the time of the committee this afternoon, and we must go ahead as rapidly as we can.

Mr. MONTGOMERY: I have Mr. Cameron this afternoon if you wish to sit. I was interrupted the other day.

By Mr. Jacobs:

Q. What other activities have you been engaged in during your commercial career that have not been mentioned here this morning. What other spheres have you been in?

The CHAIRMAN: He was in the atmosphere overseas.

The WITNESS: The only thing I was engaged in at all was that I had a claim once upon a time around Rouyn.

By Mr. Jacobs:

Q. A claim at Rouyn?—A. Yes.

Q. What happened to that?—A. Just like any person's claim; we paid only into the syndicate.

Q. That was the only interest you had?—A. Money in the syndicate.

Q. Did you ever take an interest in the Tory political organization in Ontario?—A. I do not think to my—best of my knowledge or belief.

Q. You had no connection at all with the organization?—A. I don't even—

Q. You never did any fetching or carrying for the party?—A. Let me see now. I once brought a lot of men out—somebody asked me to drive a bunch of people who were digging at Mimico one time.

Q. Digging what?—A. Digging in the drain out at Mimico—in my car at a polling booth once, and I decided that that was the last I would ever have anything to do with it.

By Hon. Mr. Mackenzie:

Q. How many years ago?—A. That is some years ago.

By Mr. Jacobs:

Q. That is the only thing?—A. That is the only thing I have ever done.

Q. The only services you ever rendered the party?—A. Yes, sir. Never rendered any services to it. That was very disagreeable to me. It muddled up the car.

Q. If Mr. Sweezey were to say that you represented yourself as an emissary from the Conservative organization in Toronto, would he be telling the truth?—A. I should—

The CHAIRMAN: That is not a proper thing to say.

The WITNESS: I am telling you to the best of my knowledge and belief everything I can, and I would say that if he took anything from what I said, that I represented any party in Ontario, I am very sorry if he did that. I didn't mean to do it.

Q. You didn't mean to do it?—A. I do not think I did.

Q. Would you swear that you did not?—A. Yes; I would swear.

Q. You would swear you did not directly or indirectly, represent to Mr. Sweezey that you were an emissary of the Conservative political organization in Toronto?—A. Yes.

Q. You swear to that?—A. Yes I do.

Q. If Mr. Sweezey were to swear otherwise he would not be telling the truth?—A. Neither would he be.

Q. I beg your pardon?—A. I do not imagine or understand, at least, what you say.

Q. If Mr. Sweezey were to swear that you did so represent yourself, he would not be telling the truth?—A. To the best of my knowledge I would be.

Q. You are satisfied to let it go at that are you?—A. Well, I think that is what—what I told him was just this—I had not in mind any organization.

If Mr. Sweezy understood that I was connected with any political association, or anything in Toronto—

Q. You took some interest in this Hydro contract, which was, at that time, put through with Ontario?—A. I had telephone conversations with him.

By the Chairman:

Q. You say you had some telephone conversations?—A. With Mr. Sweezy for—

By Mr. Jacobs:

Q. For seeing whom?—A. Nobody.

Q. Nobody?—A. Nobody.

Q. You were playing a lone hand?—A. Yes.

Q. Can you tell me the date of the contract which was made between the Beauharnois Company and the Hydro?—A. I cannot tell you the exact date.

Q. You do not even know that. Have you the contract, Mr. Forsythe. You do not know anything at all about this contract. You were not interested in that, because you were there on your own account to get this money and not on behalf of any other person?—A. That is right.

Q. Now, I see that you have distributed these various sums in different banks in Toronto. What was the idea of breaking up these deposits?—A. I didn't break them up more than I took some bank—took some out of my own safety deposit and put them there, so that the evidence which I got here for Mr. White and signed by bank managers—I thought that would be sufficient to know the location of the bonds.

Q. That is not an answer to my question. I want to know why you did not make a deposit in the one banking institution?—A. Well, now, for instance—

Q. Say, in the Canadian Bank of Commerce, where your father is the head?—A. Yes.

Q. How is it you divided them up in this way?—A. Well, the bank—I use the Bank of Nova Scotia, and, then, there is the Royal Bank where the Champlain Construction Company is. We have not done any business—there is no cheques outstanding, except one, which is a tender cheque that will come along on the 2nd August, I believe.

Q. Do you think, Mr. Aird, that you earned this \$120,000 which you got from the Beauharnois Company. Do you think you have earned it?—A. Considering the eventual cost of the thing, yes.

Q. Considering the eventual cost. What do you mean?—A. He got a 20 years contract at \$15 a h.p. which is practically \$60,000,000 worth of contract is it not? I do not know whether \$20 or \$15.

Q. You claim you were instrumental in putting that through?—A. No, I do not claim I was instrumental.

Q. That being so, for what did you get the \$120,000?—A. Giving information as to what he should do.

Q. Giving information as to what he should do?—A. Yes.

The CHAIRMAN: He was an adviser.

The WITNESS: I was advising.

Mr. JACOBS: This is an important witness. I think he can take care of himself.

The CHAIRMAN: Of course, he can.

Mr. JACOBS: What is the answer.

The WITNESS: What is the question.

By Mr. Jacobs:

Q. What information did you give him as to what he should do?—A. Well, he was just mentioning that before, I think—in regard to the way the power

should be delivered, and where they should put a certain line, or where they should not do that. I told them my opinion, whatever it was.

Q. You told him "yes" or "no". Did you send any bill for the \$120,000?

—A. No I did not. I made an agreement with him before we started.

Q. You made an agreement. Was it in writing?—A. No.

Q. A verbal agreement?—A. A verbal agreement.

Q. By which you were to get \$120,000?—A. Yes.

Q. For indicating to him where he should locate his posts and so on?—A. No, what he should do in regard to the contract.

Q. What he should do in regard to the contract. You did that as an engineer?—A. Well, I didn't say as an engineer. From my opinion which I had had in my mind. That is the best thing I can do. For information I had gathered before, certainly. I spent about five years trying to get the other contract through, and was very unsuccessful, which my friend here knows.

Q. Mr. White knows of the unsucces you experienced in all your dealings?—A. Yes—no, no.

The CHAIRMAN: He did not say that. He said he spent about five years in trying to get another contract through in which he was unsuccessful.

The WITNESS: Yes.

The CHAIRMAN: In connection with which Mr. White acted as his legal adviser and I know accumulated a great deal of knowledge, because these contracts are highly technical.

Hon. Mr. MACKENZIE: I object to this. The records speak for itself.

The CHAIRMAN: I was trying to assist you.

Mr. JACOBS: Thank you very much; thank you very much.

Hon. Mr. MACKENZIE: The record speaks for itself without any considered interpretation.

By Mr. Jacobs:

Q. Did you tell me that the agreement between you and Mr. Sweezy was that he was to give you \$120,000 for this information that he was able to give you from time to time?—A. Yes.

Q. Engineering information?—A. That is exactly—I did not pass it as engineering information at all. Information, I call it.

Q. What information is it?—A. Well, I cannot—I think I answered your question there about three times. I had information I would be able to give him.

Q. What kind of information did you give him?—A. With regard to the dealings with the Hydro.

Q. With regard to the dealing with the Hydro?—A. Yes.

Q. You gave him a tip as to how he should go about it?—A. That is exactly right.

Q. What did you tell him?—A. Now, I cannot tell you that now.

Q. I think you will have to try. For \$120,000 you should have told him something?—A. I cannot tell you all the detailed conversation that took place; I do not know that.

Q. You will have to try. You will have to tell us about the conversation?—A. You are only trying to get me into a whole lot of stuff which I did not say, or something like that.

Q. No.—A. I cannot remember anything definite. What is the use of me saying—

Q. I can imagine as much. Now, you did not tell me yet about it; you have not given me an answer to my question which I put to you, as to why you broke up this \$120,000 and put it into eleven different places?—A. It is not eleven different places.

Hon. Mr. MACKENZIE: Different transactions.

The WITNESS: You mean—I do not understand what you mean. You mean why those letters—

By Mr. Jacobs:

Q. Some of the bonds and the others— —A. I thought it was a good business deal.

Q. Why did you not keep them all in one place?—A. I have two companies, two companies borrowing money. That is all right.

Q. You have the bulk of that money still?—A. Yes, sure.

Q. You have it still?—A. Yes.

Q. In your possession?—A. Yes.

Q. You hung on to it all this time?—A. Yes.

Q. You mean you never spent any of it?—A. I might have to spend some of it yet.

Q. Again, I put this question to you. Did you tell your father about this deal; did he know about it?—A. No I do not think so.

Q. The \$120,000 deal?—A. I do not think so; I do not think he knows anything about it except he probably does now.

Q. He knows about it now; the world knows it?—A. Yes.

Q. You never told your father at that time that you had this \$120,000, or how you got it and the circumstances under which you got it?

The CHAIRMAN: Wait a moment.

Mr. JONES: This man is of age.

Mr. JACOBS: He certainly is, and I have a right to put the question, whether Sir John Aird knew anything about this transaction.

Mr. LENNOX: What difference does it make.

Mr. JACOBS: It doesn't make any difference to you but I want to ask the witness the question.

Mr. LENNOX: What difference does it make to you.

The CHAIRMAN: What bearing has it on this investigation?

Mr. JACOBS: I am cross-examining.

Mr. LENNOX: You have to cross-examine on something relevant.

Mr. JACOBS: I can cross-examine, and you know that better than I do, on his whole career and everything connected with it from the time he was born until this day. You know that.

Mr. LENNOX: I do not know.

Hon. Mr. MACKENZIE: There is no doubt about it.

Mr. LENNOX: The Supreme Court would not let me do it.

Mr. MONTGOMERY: The Chairman ruled earlier in the investigation that that was so.

Mr. JACOBS: The witness is being cross-examined. Do you object to my asking the question as to whether Sir John Aird knew of this transaction?

Mr. JONES: Yes.

Mr. LENNOX: I do not object, but I do not see the relevancy of it.

By Mr. Jacobs:

Q. Now, I ask you whether Sir John Aird knew about the transaction?—
A. I do not know whether he knew about it before or not.

Q. You never told him?—A. I didn't talk it over with him, no, until after I got the thing fixed up.

Q. What?—A. Until I got the money.

Q. You told him after you got the money that you had got it?—A. Sure.

Q. You told him the circumstances?—A. Yes.

Q. He knew?—A. I think so.

Q. You told him the truth?—A. I told him; he must know.

Q. When did you tell him that; how long after?—A. I cannot tell you the date. I have not got it down in writing; I could not tell you the exact date of those things.

Q. You have not got any records of any kind, at all?—A. The only thing I have got of the transaction is—

Mr. LENNOX: A very complete record.

The WITNESS: A disposition of the bonds if you wish to look it over.

By Mr. Jacobs:

Q. Tell me Mr. Aird, how did you come to know Mr. Sweezey; when did you see him for the first time; tell us the circumstances?—A. I guess that is before the war; we attended the same university; whether he was there at the same time I don't recall.

By Mr. White:

Q. What university?—A. Queen's University.

By Mr. Jacobs:

Q. Well, I know, but I am asking about this Beauharnois matter.

The CHAIRMAN: You asked when he first knew Sweezey.

By Mr. Jacobs:

Q. I do not want to go into it. You knew him at Queen's?—A. I think I did.

Q. Did you keep up communication with him since that time?—A. Never communicated. I met him all over, New York and different places like that—in a personal way, that is all.

Q. You met him in New York and different places. When did you first make overtures to Mr. Sweezey in connection with this Beauharnois proposition of the sale to the Hydro?—A. I could not tell you. I think it was some couple of months, when he got into trouble—tried to get that contract. He wasn't getting very far with it.

Q. Did you suggest you might be able to do something?—A. No, sir, except in—

Q. To accelerate it?—A. I told him I could get it through.

Q. You knew that?—A. I thought I did. Whether I was right or wrong, I thought I was right.

Q. For a man who was not taking any interest in politics at all and who does not seem to know to what party he belongs, you seem to have had a lot of information.

Mr. WHITE: Was it a question of politics?

Mr. JACOBS: I am supposing it was for the purposes of cross-examination.

By Mr. Jacobs:

Q. We will go on. You suggested you would be able to assist him in that?—A. Yes.

Q. Did he accept it—your suggestion; did he discuss it with you?—A. Yes, he discussed it with me. I said that it would be all right.

Q. You know something about the roads—how things should be effected?—A. Yes.

Q. When you presented this to him in connection with Hydro did you also have that in mind, about knowing how things could be brought about?—A. From my past experience I should know something about it.

Q. What experience did you have in matters of this kind?—A. I just said two or three times I was about five years trying to get the contract from the Hydro before and was unsuccessful.

Q. That is your experience in how not to get a contract?—A. Yes.

The CHAIRMAN: That is not a fair way to put it, even in extravagant cross-examination.

Mr. WHITE: The same way as Mr. Sifton.

By Mr. Jacobs:

Q. Did you give any information as to how and what you could do in Ontario to obtain this contract from the Hydro; did you tell him how it should be done?—A. I did not say I gave him the whole routine, but there were certain catches in the thing which I could give him. I did not get those from any person—made it a bit easier for him.

By Mr. Lennox:

Q. You told him that would make it easier?—A. I said I explained that three or four times.

By Mr. Jacobs:

Q. You told him about the posts and where they were to be placed?—A. I never said anything about posts. I said about talks. I never said anything about posts. I had nothing to do with where posts will be used.

Q. Where lines should be drawn, and so forth?—A. No. That was not the point at all.

Q. And you considered it at \$120,000?—A. Mr. Sweezey did.

Q. Mr. Sweezey was an engineer himself. Do you suggest that Mr. Sweezey was such an utter ass as to pay \$120,000 for anything of that kind.

The CHAIRMAN: He may not—

Hon. Mr. MACKENZIE: Please don't interrupt.

By Mr. Jacobs:

Q. Let the witness answer?—A. I do not know whether you would consider him an ass or not. He wanted something pretty badly, and I would not get a cent if he did not get it.

Q. This was the first time you ever saw \$120,000 in your life.

By Mr. Mackenzie:

Q. You said you would not get a cent unless he got it, did you?—A. Yes.

Q. So that the payment of \$120,000 to you was contingent upon this contract going through?—A. Sure.

By Mr. Jacobs:

Q. What did you do to obtain the contract and help it to go through?—A. Really, I have said that about five times.

Q. You will have to say it again. I asked you what did you do to help that contract to go through.

The CHAIRMAN: Mr. Jacobs does not understand you.

The WITNESS: Well, I think I have said it three times.

Mr. JACOBS: Say it again.

By Mr. Mackenzie:

Q. Please say it again?—A. The information I had got from my previous experience in connection with unsuccessful negotiations which I had—I showed Mr. Sweezey how to get it through.

Q. That is how to obtain the contract?—A. Yes.

Q. And you did not suggest that it should be by the turning over of any money for political purposes at all; you spurned that suggestion?—A. I do not say I spurned that at all. I gave him no information——

Mr. LENNOX: I suppose you over-rated your ability to get that contract.

By Mr. Mackenzie:

Q. Were you always alone when you met Mr. Sweezey?—A. Yes.

Q. You never met him with anybody else?—A. Except when I got the bonds, Mr. Griffith and Mr. Sweezey were there. I said, "that is all right Bob; everything is all right." He said "sure."

Q. Did you ever meet any of the members of the Hydro Commission yourself; did you know who they were?—A. Sure. Everybody knows who they are. I never met them in connection with this. I had enough of them five years before.

Q. Did you meet any servants of the commission or members of the government?—A. No. Never talked to them or anybody else.

Mr. JACOBS: You just used christian science.

By Mr. Mackenzie:

Q. When did you prepare this memorandum that was put in evidence this morning?—A. The same day it was put through—in the morning of the same day it was put through.

Q. What morning?—A. What is the date there?

Q. Did you do it on anybody's instruction?—A. On my own instructions. I could not bring the bonds here as evidence. I cannot carry that amount of money around.

Q. It was entirely your own idea?—A. Yes. It was entirely my own idea.

Mr. WHITE: I may say that I telephoned Mr. Aird and asked him about this transaction—asked him to come here prepared to show me where the bonds were.

Mr. JACOBS: This particular bond, but nothing in substantiation—you did not ask him that.

Mr. WHITE: Substantiation of what?

Mr. JACOBS: We admit that he has them in his possession, but you did not turn over any bonds other than these, in substantiation of this, did you?

The WITNESS: I have the disposition of everything.

By Hon. Mr. Mackenzie:

Q. The question is this: Did you, after receipt of these bonds which have been specified in evidence this morning—the bonds he got from Sweezey and Griffith—did you, after receiving these bonds, transfer to any person, association of individuals, any moneys, bonds of any other nature?—A. No. They are all there. I can show them to you.

Q. And did you have permission to do so?—A. No.

Q. You swear that?—A. Yes. I thought I was sworn here when I told you that.

Q. What?—A. I thought I was sworn in now. I will swear it again, if you want me to.

Mr. JACOBS: I have no doubt you will.

The CHAIRMAN: That is not fair. The implication is apparent. This witness has been absolutely honest in my view.

Mr. JACOBS: It was after the contract was signed that you got the \$120,000?

Hon. Mr. MACKENZIE: And because it was signed, he said before in evidence—because it was signed.

The WITNESS: After it was signed.

Mr. JACOBS: You would not have got 5 cents if the contract had not been signed, and you kept the money yourself. The witness is absolutely honest in that.

Mr. WHITE: Didn't you tell him that he kept the money?

By Mr. Lennox:

Q. I just want to clear up one matter. Of course, you are brought here with the object in view of associating the name of Honourable Howard Ferguson. Did you, at any time, ever discuss, either personally or with any person else, your connection with the Beauharnois project?—A. I have only seen Mr. Ferguson once in his office, I think, in my life, and that was the time we did not get the contract and I asked him how he expected Canadians to stay in the country if he gave it to Americans instead of Canadians.

Q. And is it true that Mr. Ferguson has no interest financially or otherwise, and no interest in these bonds?—A. Absolutely no.

Q. He wasn't aware— —A. He wasn't ware or anybody else is not aware.

By Mr. Jacobs:

Q. No person in Toronto knew that you obtained this \$120,000?—A. Not to the best of my knowledge.

Mr. LENNOX: It is a pity we got away with it from Montreal.

Mr. JACOBS: You didn't get that?

Mr. LENNOX: It is all we got.

Mr. JACOBS: You didn't get that.

By Mr. Jacobs:

Q. According to your evidence you never told a single individual that you obtained this money?—A. I do not think any person knows. I know they do not know what I got. I had to go and transfer it to a bank, and send it up to the Bank of Commerce.

Q. Transferred? Why, you had it in half a dozen different banks?—A. When I first got it—I came in to the manager of the bank—I wasn't carrying it to Toronto, I said express it up to my account in Toronto.

Q. In Montreal it was expressed?—A. I do not know whether it was expressed or not. I asked them to send it.

By Mr. Lennox:

Q. These companies in which you are interested dealt with different banks?—A. One deals with the Royal and another with the Commerce.

By Mr. White:

Q. There seems to be some kind of transaction with the Bank of Nova Scotia?—A. Yes. Some with the Bank of Nova Scotia.

By Hon. Mr. Mackenzie:

Q. You did see Mr. Ferguson once then regarding the contract?—A. As a matter of fact, my conversation with Mr. Ferguson was not at all very friendly, because I was complaining.

Q. I am asking you. Did you see him on a previous occasion? I understand you to say you had seen him once on another contract?—A. Just once.

Q. What contract was that?—A. It is the one I was unsuccessful, and after it was over—

Q. That was the Hydro Commission?—A. The Hydro Commission. He just voted \$1,000,000, you see, for technical instruction in Canada. I asked him how he was going to keep it in Canada.

By Mr. Lennox:

Q. When was that?—A. Some years ago.

By Mr. Mackenzie:

Q. Did you meet anybody by the name of Cook?—A. No. I do not know. When I say that I mean I don't think Cook knows me on the street, and I would not know him.

Q. Who is he?—A. He is one of the members of the Hydro Commission—if that is the man you mean. I knew you would ask me that question. He is now Chairman. I am not exactly foreign on all the different—

By Mr. Jacobs:

Q. Is there a man called Cook connected with the Conservative association?—A. I could not tell you that.

Hon. Mr. CANNON: I understand that all that evidence is being taken subject to my previous suggestion.

Mr. WHITE: My learned friend's facial expression really indicates that, Mr. Chairman.

By Mr. Forsythe:

Q. Mr. Aird, I understand you to say that you understood Mr. Sweezey was in some trouble with regard to his Hydro contract when you first saw him?—A. Not any more than was in the papers.

Q. Now, Mr. Aird, let us see. You said he was in trouble. Now, what did you see in the papers that indicated he was in trouble?—A. I do not know.

Q. You do not know?—A. No. I do not know more than the fact—I might have seen him before that.

Q. Don't tell me what you might have done. You said he was in trouble. I want to know what trouble he was in, and how you knew about it?—A. I suppose just gossip that I heard.

Q. What was the trouble that you heard the gossip about?—A. He was having difficulty in getting the contract.

Q. When was that?—A. I could not tell you the exact date—some time a few months before he got it I guess.

Q. Now, when did you hear this gossip? I suppose you could not tell me who you heard it from?—A. No, not any person.

Q. When you heard it, what did you do? Did you go down to Montreal to see Mr. Sweezey? Did you meet him in Toronto, or call him on the telephone?—A. I do not know whether I was in Montreal. I think I was in Montreal on some other business. I went and called him and asked him if I could see him.

Q. And you went to him?—A. Yes.

Q. And what did you say when you first went to him?—A. Now, I could not tell you more than the fact—

Q. Could you tell me this: Do you remember the conversation that took place between you and Mr. Sweezey?—A. Not in detail, no.

Q. And you are positive you do not remember?—A. Well, sure. I mean to say I could not tell you all the details.

Q. Tell me some of the details?—A. I would not want to say anything that would not be just straight.

Q. I can understand that. I want you to tell me something that you said to Mr. Sweezey there. How did you introduce the subject? Surely you remember that?—A. I just asked him how he was getting on, and he said he was having certain trouble. I said, "probably I could help you out."

Q. Yes. And did you tell him how you could help him out?—A. No.

Q. You didn't tell him how?—A. No.

Q. What was the next thing?—A. Detailed movements—I could not tell you that.

Q. I am not calling for any detailed movements. I say we have got this far: You met Mr. Sweezey in his office—you met him somewhere—and he told you he was having some trouble, and you said perhaps you could help him out?—A. Yes.

Q. Did you tell him how you could help him out?—A. Not in detail, no.

Q. For heaven sake forget the detail; give us some generalities. Did you tell him how you could help him out?—A. No, I did not.

Q. You did not? What was the next thing that happened?—A. I don't remember.

Q. Now, then, at some stage in the proceedings, somebody mentioned money, didn't they?—A. Yes, I did.

Q. You remember that?—A. Yes.

Q. Was that the first thing you mentioned?—A. That was the first thing. I never discussed that afterward. I said, "Here, Bob, if this thing goes through you pay me so much, and if it does not go through, I do not get anything."

Q. Did you tell him how much?—A. Yes, I told him.

Q. What did you say?—A. I think it was 50 cents a horse-power or \$125,000.

Q. And between the time you found out he was in trouble and that you said you could help him out and the time that you stipulated for the payment of \$125,000 is there any other conversation that you remember?—A. Not any more than just odd discussions as to how he was getting on.

Q. Odd discussions as to how he was getting along?—A. Yes.

Q. Did Mr. Sweezey ask you how you were getting along?—A. No, I do not think so. He said, "how are things going"? I said, "Going along all right."

Q. You people were talking about \$125,000?—A. Yes.

Q. Is it fair to sum up your recollection of your conversation with Mr. Sweezey this way: You met him and asked him how he was getting along: He said he was having a bit of trouble and you said, "Perhaps I can help you out, but I want 50 cents a horse-power or \$125,000 if you get the contract?"—A. That was the first conversation; yes.

Q. Do you say that is all you can remember of the first conversation?—A. Yes.

Q. And what did Mr. Sweezey say?—A. I cannot remember that; I cannot recall that.

Q. Did he promise to give you \$125,000?—A. Oh, sure.

Q. Did not Mr. Sweezey ask you a question or two as to how you were going to earn the \$125,000 from him?—A. No.

Q. Never asked anything about it?—A. No.

Q. Not a thing?—A. No.

Q. When was the next conversation? You have told us everything about that conversation, Mr. Aird?—A. Well, I say that is such as the generalities.

Q. Now, is there any significant detail that possibly you can remember about?—A. No. I cannot remember.

Q. Where did the conversation—

The CHAIRMAN: Mr. Forsythe, one of the members suggests that this \$125,000 was a mere trifle.

Mr. FORSYTHE: It is the only detail he can remember.

The CHAIRMAN: It is the only detail he can remember in this transaction.

Mr. WHITE: A detail like the moving of the mouth of the canal or something like that. It just occurred to me to ask whether he is cross-examining the Beauharnois Company.

Mr. FORSYTHE: There is \$125,000 of the Beauharnois Company's money that has gone somewhere, absolutely.

By Mr. Forsythe:

Q. Now, Mr. Aird, is there any minor detail of the first conversation with Mr. Sweezey that you can give us other than a summary of the generalities?—

A. I do not think so.

Q. You do not think so?—A. No.

Q. Now, where did that conversation take place?—A. At the Ritz-Carlton Hotel, Montreal.

Q. When was the next conversation between yourself and Mr. Sweezey?—A. I could not say.

Q. Did you ever see Mr. Sweezey again to speak to him between that time and the time you got the \$120,000 in bonds?—A. Yes, on several occasions.

Q. Do you remember any one conversation you had with Mr. Sweezey in the interim?—A. Nothing at all than more or less along the lines of the first conversation.

Q. I do not want to be unfair about it, but do I understand that every time you spoke to Sweezey subsequent to the first conversation it went something like this: "How are you getting along, Bob?" "I am having some trouble." "Perhaps I can help you, but I will get \$125,000 if I do." Is that what you mean?—A. No, I do not, and you know that, too.

Q. I suspected that that was not so, and I want to be fair to you?—A. As I mentioned before, there was something about where the power should be delivered, and what the Beauharnois should pay for it, and what the Ontario Government should pay for it.

Q. Now, let us see. There was a point of delivery that was before Mr. Sweezey, or a point at issue between him and the Hydro Commission?—A. I believe from Mr. Sweezey that that was the case.

Q. What did you tell him to do?—A. That is the thing I have forgotten. I could not tell you that to save my life.

Q. So you cannot remember what you told him about that?—A. No.

Q. Was there anything else?—A. That is the principal thing.

Q. And it was for advising him on that point that you got the \$125,000, was it?—A. There might have been other points, but I do not remember them.

Q. That is the only one that is significant for you to remember?—A. Yes, that is the most outstanding one.

Q. And you gave him some advice upon that point?—A. Yes.

Q. And for that advice you got \$120,000, and you cannot remember what the advice was—is that right?—A. I do not say I cannot remember what the advice was, but I have forgotten the details.

Q. If you can remember what the advice was I want to know what it was?—A. I cannot remember it.

Q. At the time you went to Newman, Sweezey's office and received these bonds from Mr. Griffith had you ever had a transaction of this kind before where you were advising persons on matters of this kind?—A. No.

Q. Did you ever practise as an engineer by yourself?—A. No.

Q. Did you ever have occasion to submit an account to any person for services rendered?—A. No.

Q. Were you ever remunerated by anybody for anything before, apart from salaries you had received?—A. When I was in partnership we did not have a salary at all.

Q. But take, for instance, the Concrete Masonry Restoration Company, do they get paid in Victory bonds for their services?—A. No.

Q. Does the Champlain Company get paid in Victory bonds for its services?—A. No.

Q. Can you give this committee any reason why the remuneration was arranged in the way it was, that you should go down and get \$120,000 in Victory bonds handed over to you and walk away with it?—A. No.

Q. Was there any other thing given to you on that day besides Victory bonds?—A. \$120,000 in Victory bonds, and Griffith gave me a cheque for a small amount to make it up to \$125,000.

Q. To make it up to an even \$125,000. Griffith gave you a small cheque?—A. Yes.

Q. A cheque payable to John Aird, jr.?—A. No, payable to cash.

Q. At whose request?—A. I do not know.

Q. I suggest to you that it was at your request?—A. I do not remember whether that was so or not.

Q. And then the cheque was cashed?—A. Yes.

Q. Did you endorse it?—A. No, I do not think I did.

Q. Who did endorse it?—A. I was leaving on the train at night and a friend of mine was there and I wanted some money.

Q. What was the name of your friend?—A. Mr. D. T. Main.

Q. You were leaving on the train at night and you wanted some money?—A. Yes.

Q. What happened?—A. He gave it to me.

Q. You gave the cheque to Mr. Main?—A. Yes.

Q. Do you know what business Mr. Main is in?—A. Yes, the National Steel Car Company; I have known him for twenty-five years or so.

Q. And he produced \$847.78 in cash that night?—A. He gave me part of it.

Mr. JACOBS: They must have had a wild night.

By Mr. Forsythe:

Q. Is that the cheque which I now show you?—A. Yes.

Q. And that is endorsed by Mr. Main?—A. Yes.

Q. And you give it over to him on the night when you were leaving on the train and you got something from him. Was it cash that you got from Mr. Main?—A. I cannot tell you whether it was some cash and a cheque, or how it was.

Q. Are you positive that you did not get a cheque from Mr. Main for the whole amount?—A. No, I am not positive of that even.

Q. If you are not even positive of that, can you tell me why you handed the cheque over to Mr. Main?—A. No, except that he was in Montreal and I was going to Toronto.

Q. Did he issue a cheque to you on a Toronto bank?—A. I could not tell you that.

Q. There would not be very much profit in swapping cheques with Mr. Main if his cheque was drawn on Montreal, would there?—A. No, not very much; I do not know whether I got cash or a cheque.

Q. You do not know which?—A. No.

Q. You were going to arrive in Toronto in the morning, I suppose, Mr. Aird, when you left?—A. I am trying to think whether I was or not.

Q. Having \$125,000 of Victory bonds in your possession you were going to put them where they would be safe?—A. I sent them through the bank.

Q. Can you tell me anything that you wanted to spend \$847.78 upon when you were going up on the train?—A. No.

Mr. LENNOX: Perhaps it was to save the exchange on the cheque.

Mr. FORSYTHE: I thought that possibly that was so, but when he could not remember whether he got a cheque from Mr. Main or not that excluded that theory from my mind.

EXHIBIT No. 110:

Bank of Montreal cheque dated December 5, 1929 for \$847.78, payable to Cash. Signed by Hugh G. Griffith and endorsed D. T. Main.

Mr. JACOBS: He could have got it in his father's bank for nothing, as the son of the old man.

Mr. WHITE: It is a Scotch bank.

Mr. FORSYTHE: I do not think Mr. Jacobs is right about that.

By Mr. Forsythe:

Q. Now then, you can give us no reason, Mr. Aird, as to why you had this transaction with Mr. Main?—A. No.

Q. Well now, I suggest to you, Mr. Aird, that you had reasons of your own for cloaking this transaction in a cloak of secrecy?—A. Well, I have got everything that you want to see.

Q. Now, let me revert to my previous question. I suggest to you that you had some reasons for cloaking this transaction with Mr. Swezey in a certain amount of secrecy. Now, is that so or is it not?—A. Well, I certainly was not telling any person about it.

Q. No, you were not.

By Mr. Jacobs:

Q. Why?—A. It was my own personal business.

By Mr. Forsythe:

Q. Now, Mr. Aird, you have been engaged in business with the Imperial Oil Company, and with Woollen Mills; you have been interested in a mining claim, and you are now interested in two companies, and you were in an accounting-engineering office. Did you ever see any ordinary business transaction—even when it was not desired to broadcast it—that was put through in this way?—A. I cannot say that, I don't know.

The CHAIRMAN: Was not this peculiar to the Beauharnois?

Mr. FORSYTHE: Of course, the witness is the person who put the transaction through.

Mr. WHITE: It was his transaction but he had it with Beauharnois.

Mr. FORSYTHE: Yes, and I would think the last.

By Mr. Forsythe:

Q. Now would you mind answering that question, Mr. Aird?—A. In all my experience I never had one like that, no.

Q. You never had one like that?—A. No.

Q. And can you tell me any reason for your breaking new ground.

The CHAIRMAN: Nothing like this was ever heard of before.

The WITNESS: Well, I was unsuccessful in one thing, the Madawaska Contract.

By Mr. Forsythe:

Q. And did you think that if you had had some transaction like this you would have been successful?—A. I cannot say that at all, I don't know. I know from the experience I got out of that I felt I could be of more use in this one.

Q. Now, Mr. Aird, will you tell me what your failure to obtain this contract, which you say Mr. Graustin got, had to do with your taking your remuneration in bonds and turning the cheque that you got over to Mr. Main, if anything?—A. What is that again, Mr. Forsythe?

Q. What had your failure to obtain the contract which Mr. Graustin got have to do with the method in which you put through your transaction with Swezey, and by that I mean the fact that you came down and got this in Victory Bonds and transferred the cheque that was given to you, made payable to cash, to your friend Mr. Main; are the two things connected at all?—A. You mean connected with the other contract?

Q. Yes.—A. No connection at all except from the experience I had in the matter.

Q. Now then, it is just the experience you had in the Madawaska, or whatever this contract was, which led you to have the transaction put through in this secretive manner?—A. There were so many people in the Madawaska thing that I could possibly have got it put through if I had been alone.

Q. And you thought if you had been dealing with Mr. Swezey you would have been better had you been alone, is that the conclusion to draw from what you say?—A. It was unsuccessful when I had a whole lot of people with me.

Q. Now, when you say you were unsuccessful when you had a lot of people with you, you were dealing with the Hydro Electric Commission were you not, yourself?—A. No, not by myself alone.

Q. With a lot of others with you?—A. Yes.

Q. But you yourself, with others, were transacting with the Hydro Electric Commission?—A. Yes.

Q. But in this proposition you were not transacting with the Hydro Electric Commission at all?—A. That is right.

Q. I am quite right in that?—A. Yes.

Q. Then can you tell me what experience you gained from your association with others when you were transacting with the Hydro Electric Commission which led you to think that when you were not transacting with the Hydro Electric Commission you should adopt this secretive method of doing your business?—A. No reason at all except when you are doing business you do not tell any person about it.

Q. I will suggest to you, Mr. Aird, that when the Concrete Masonry Restoration Company is presenting a tender on some work they quote a figure—A. And they keep it quiet.

Q. They quote a figure, which they put in writing, to the person to whom they are tendering, do they not?—A. Not always.

Q. And when they have completed their work they send in an account for the services they have rendered, do they not?—A. That is a company and I am an individual.

Q. All right, that is a company. And then when they get their payment they do not go down and take it part in Victory Bonds and part cash and turn the cheque which they get over to a third party?—A. That is a company.

The CHAIRMAN: Whom are you speaking of, Mr. Forsythe?

Mr. FORSYTHE: I am speaking of Mr. Aird's company, the Concrete Company. I am saying that they don't do business in this way.

The WITNESS: I have not got the whole say in that company.

By Mr. Forsythe:

Q. No, but if you had you would not suggest it would be better to do their business the way you did this?—A. I do not know. It just depends upon the circumstances.

Q. All right. Under what circumstances would you recommend your company to do its business in that way?—A. You would have to suggest the circumstances before I make up my mind which way to go.

Q. It is not for me to suggest the circumstances?—A. I do not know of any circumstance. If I did know I could probably tell you.

Q. Offhand, do you know of any circumstance which would justify your company in transacting its business in that way?—A. Not offhand, no.

Mr. LENNOX: I suppose there are very few firms who would have \$130,000 in their bank account so that they could give you a cheque. I should think the easiest way to pay this man for his services would be through bonds, or with some securities.

Mr. FORSYTHE: In order to acquire the bonds you have to get some money somewhere.

Mr. LENNOX: The money was flowing very fast.

Mr. FORSYTHE: It was, but you will note it did flow out of a bank account and that he transferred the cheque.

The CHAIRMAN: What are you trying to prove, Mr. Forsythe—that Mr. Aird put over a fast one on Sweezey?

Mr. FORSYTHE: Well, I am not necessarily trying to prove that Mr. Aird put over a fast one on Mr. Sweezey. But what I am suggesting, if his story is true, is that he certainly did put a fast one over on Mr. Sweezey.

Mr. LENNOX: He admits it.

By Mr. Forsythe:

Q. Adopting the phrase that has been used, Mr. Aird, you put a fast one over on Mr. Sweezey?—A. It is hardly fair to put it that way, is it?

Mr. JACOBS: Hardly fair to whom?

The CHAIRMAN: Of course, being interested as Chairman of the committee, I wondered if you were trying to prove that Mr. Aird, in baseball language, put a fast one over on Sweezey.

Mr. FORSYTHE: With a curve on the outside corner.

The CHAIRMAN: Yes, just cutting the outside corner.

Mr. FORSYTHE: What I am suggesting now is this, Mr. Chairman: He has stated that it was represented to him that his contribution—because I do not care what it was, you cannot call it anything else—was made, and it was represented to him to be made as a donation to a political party.

Mr. WHITE: I do not think he quite said that.

Mr. FORSYTHE: I think he did.

Mr. LENNOX: My recollection is he said: "That was my understanding".

Mr. FORSYTHE: If you will allow me, I think you are confusing the evidence of Mr. Griffith with that of Mr. Sweezey.

Mr. JACOBS: We will have Mr. Sweezey back on this.

Mr. WHITE: And then Mr. Aird back again, I suppose.

Mr. FORSYTHE: What I am saying is, there seems to be a direct conflict between those two gentlemen as to what the intention was, and if this transac-

tion was conducted in a way that an ordinary adviser did not expect to be paid, I think it throws some light upon the credibility of the parties, that is all.

Mr. WHITE: In view of what Mr. Forsythe has just said now, perhaps Mr. Aird ought to be informed as to what his rights are in respect to this question.

By Mr. Forsythe:

Q. Now, Mr. Aird—

Mr. WHITE: Just a minute, Mr. Forsythe.

Mr. JACOBS: If he wants to take advantage I think he should be told.

Mr. WHITE: Do you know that you can object to answering those questions on the ground that your answers may tend to incriminate you, or to expose you to proceedings, and that you are entitled to object to answer, and that if you do object to answer you can still be compelled to answer but that your answers and the evidence which you give cannot be used against you in any criminal or civil proceeding except one for perjury in giving your evidence. Did you know that?—A. Well, I did not know that, as a matter of fact.

Q. Do you want to take advantage of that situation?—A. I do not think I need any protection as far as I can see. I do not know of anything that calls for protection. I am quite willing to tell you, and that is all about it.

Mr. FORSYTHE: What are we to understand then, that he does not need any protection?

The WITNESS: I am telling you what my best knowledge and belief is.

Mr. JACOBS: He apparently belongs to our party. He is against protection.

By Mr. Forsythe:

Q. Now, Mr. Aird, there is just one other thing I want to take up with you, in connection with those letters from those various banks. You got those letters which have been read in your evidence to-day, the day you were asked to come down here?—A. Yes.

Q. Now, dealing with the letter from the Royal Bank of Canada, signed by the Manager of the Discount department, Mr. C. F. Lennox, when were the securities which that letter represents as being held on account of the Champlain Construction Co., Ltd., and to the John Aird Junior, deposited with the Royal Bank of Canada?—A. \$20,000 some time ago, and \$10,000 that morning on account of the fact that we expected to bid on work this week.

Hon. Mr. MACKENZIE: What is the date of it?

Mr. FORSYTHE: The 14th July, 1931.

Mr. JACOBS: That is three days ago.

The WITNESS: I will tell you the whole thing in a minute. When I was asked to come here I said to Mr. White "Do you want to know where the bonds are"? I told him I did not think I could carry that many on my person, so I deposited them in this way and got the signatures, thinking that would be sufficient.

By Mr. Forsythe:

Q. You deposited them in this way, and \$20,000 were already deposited with the Royal Bank?—A. Yes, and the other was just for safeguard.

Q. Just a minute, the \$20,000 was against advances made to the Champlain Construction Company?—A. And myself.

Q. And yourself?—A. Yes.

Q. And how were those advances made, Mr. Aird?—A. Well, by ordinary cheque book.

Q. Will you produce your cheque book?—A. Yes, sir.

Q. Now then, the other \$10,000 that were deposited on the 14th July were not in point of fact deposited as collateral to any advances made?—A. The Champlain Construction Company has only one outstanding cheque of \$7,500.

Q. I think you can answer that question, Mr. Aird. I asked you if there was any advance against which this \$10,000 was pledged as collateral?—A. Oh, no.

Q. Then on the 14th of July, 1931, the Canadian Bank of Commerce wrote you a letter in which they said that they acknowledged receipt of the following securities to be lodged for safekeeping in your account, and there are details there, \$40,000 War Loan; \$9,500 Province of Alberta 4 per cent Debentures, \$5,000 Toronto Harbours Commissioners and \$1,000 Eglinton Hunt. When were those deposited with the Bank?—A. The same day that I left for Ottawa.

By Mr. Jacobs:

Q. Is that this week?—A. Oh, yes.

Q. That is, the 14th of July, on Monday?—A. Tuesday.

Mr. WHITE: The 12th was Sunday.

Mr. JACOBS: I know. It was a "glorious" day.

By Mr. Forsythe:

Q. And do you say that this came from your safety deposit box?—A. The only reason I put them in this form was to bring them here.

Q. You brought the certificate rather than the securities?—A. Yes.

Q. Where was the safety deposit box?—A. The Canadian Bank of Commerce.

Q. That says "Assistant Manager, Securities Department, Toronto"?—A. That is the head office.

Mr. JACOBS: Was this at the bank's head office or a branch?

Mr. WHITE: The head office branch.

By Mr. Forsythe:

Q. At what time did you acquire the Hydro-Electric Power Commission bonds?—A. That is on the yellow sheet.

Q. Through whom?—A. I have the sale slip from the Dominion Securities.

Q. And the Province of Saskatchewan bonds?—A. All listed there.

Q. And through whom you acquired them?—A. I think so.

Mr. WHITE: I am not sure.

Mr. FORSYTHE: I will leave that part of it for the moment, because I might want to come back to that.

Mr. WHITE: I can send for the memorandum if you like. The reporters have it.

By Mr. Forsythe:

Q. On the 14th July, 1931, Mr. D. D. Macleod wrote to you stating:—

We are holding \$4,000 Province of Saskatchewan 4 per cent bonds due November 15, 1957—as collateral security against your account with us, Nos. as follows: 1530, 0899, 0900, 0201.

Do you know when they were deposited?—A. I have a record of it.

Q. Would you say it was some months ago?—A. Yes.

Q. Through whom did you acquire those Province of Saskatchewan bonds?—A. It is on the list.

Q. The Yonge and Colborne Branch of the Canadian Bank of Commerce wrote you on the 14th of July, 1931:—

This is advise that the following bonds have been deposited with us as collateral to the advances accorded the Concrete Masonry Restoration, Limited,

and the bonds are enumerated there, and they include \$12,000 of Dominion of Canada, 5½ per cent, December 1, 1937 bonds and £2,600 Grand Trunk Pacific, 3 per cent 1962 bonds, and I note at the bottom of the letter this paragraph:—

We shall be obliged if you will have the enclosed form of hypothecation signed and sealed by the proper officers of the Concrete Masonry Restoration, Limited and returned to us?—A. Yes.

Q. Were you on the 14th July pledging those bonds to the Canadian Bank of Commerce at Yonge and Colborne streets?—A. Yes.

Q. For what purpose?—A. They were shouting at us for a long time to put up some more security.

Q. How long had they been shouting at you?—A. Two or three weeks.

Q. And the bonds were always down in the safety deposit box?—A. Yes.

Q. And you did not put them up until you got notice to come down here?—A. No.

Q. Then the Bank of Nova Scotia under date July 14, 1931, wrote to you:—

We beg to advise holding the following security as collateral for your account: \$3,000 Dominion of Canada, 5½ per cent December 1, 1937, Nos. XX 342981-3.

When were they placed with the Bank of Nova Scotia?—A. Some time ago.

Q. How long ago?—A. Probably about a year ago.

Q. And they are actually collateral against the present advance?—A. Yes.

Mr. FORSYTHE: Subject to the production of the other accounts and the privilege which you have accorded me of going into it again, I have nothing further to ask just now.

The CHAIRMAN: The other gentlemen will be subpoenaed if you insist upon it.

Mr. JACOBS: I insist upon it and also ask that Sir John Aird be called for the purpose of examination.

The WITNESS: He has nothing to do with the matter.

Mr. FORSYTHE: Possibly Mr. D. T. Main should be subpoenaed, too.

Mr. JACOBS: Will you have Mr. Main here?

Mr. FORSYTHE: I do not know him; he is not my man.

Mr. LENNOX: I suggested this morning that a disinterested physician should be appointed to examine Senator Haydon, and that the Senator should be asked to produce his bank books covering the distribution of these party funds. There is going to be a real clean-up.

Mr. WHITE: It looks like it.

Mr. STEWART: In addition to what Mr. Lennox has said I suggest that it might be better if the physician had an associate. Very often one physician will not over-ride another unless he has an associate.

Mr. WHITE: With regard to what Mr. Lennox has suggested, supplemented by the remarks of General Stewart, is it the intention that Senator Haydon should be requested to allow a physician to examine him, and is it the wish of the committee that the one or two physicians selected for that purpose should be named by the chairman or by the committee.

Sir EUGENE Fiset: First of all I think we should inquire from Senator Haydon's own doctor as to the advisability of such examination, because the very fact that you are ordering a special medical examination by two or three

doctors may cause shock to a person who is suffering from heart disease. I think we should ascertain the opinion of Dr. Argue first.

Mr. LENNOX: I do not suppose they will examine him except in the presence of his own doctor.

Mr. WHITE: Then is it suggested that if the report of the two doctors indicates that Senator Haydon's presence here is possible he should be subpoenaed and asked to bring with him his cheques, vouchers and books?

Mr. LENNOX: No, that is not what I want, although I do not know whether I reflect the opinion of the committee. He may not be able to attend here, but it would not cause very great inconvenience to the members of the committee if we were to attend at his home.

Mr. JACOBS: Dr. Argue has already stated that he thinks it would be dangerous.

Mr. WHITE: May I suggest, Mr. Chairman, that in the event of Senator Haydon's not being fit to undergo examination either here or at his home, he should be ordered to produce his books and vouchers and cheques in any event.

Mr. JACOBS: How can we do that?

Mr. WHITE: Why not?

Mr. JACOBS: The bank books cannot be cross-examined.

Mr. WHITE: We can call the banker, if it comes to that.

Mr. FORSYTHE: Are those letters filed, Mr. White?

Mr. WHITE: I intended to file them, but there was some objection made to their being filed. They have been used in cross-examination, however, so perhaps they should go in.

EXHIBIT No. 111

Letter dated July 14, 1931, from C. F. Lemon, Manager, Discount Department, The Royal Bank of Canada at Toronto to John Aird, Jr., 19 Melinda street, Toronto, Ontario, setting out list of securities held on account of Champlain Construction Company Limited and/or John Aird, Jr.

Letter dated July 14, 1931, from W. J. F. Ross, Assistant Manager, Securities Department, The Canadian Bank of Commerce, at Toronto, to John Aird, Jr., Esq., Toronto, acknowledging receipt of certain securities lodged for safe-keeping.

Letter dated July 14, 1931, from D. D. Macleod, of Messrs. Aird, Macleod and Company, Toronto, to John Aird, Jr., 19 Melinda street, Toronto, *re* \$4,000, province of Saskatchewan 4 per cent bonds being held as collateral security.

Letter dated July 14, 1931, from A. M. MacLennan pro Manager, The Canadian Bank of Commerce, Yonge and Colborne Branch, Toronto, to John Aird, Jr., The Concrete Masonry Restoration, Limited, advising that certain bonds are deposited as collateral to the advances accorded The Concrete Masonry Restoration, Limited, etc.

Letter dated July 14, 1931, from the Assistant Manager of The Bank of Nova Scotia, Toronto, to John Aird, Esq., advising that \$3,000 Dominion of Canada 5½ per cent December 1, 1937, Nos. XX342981-3 is held as collateral security.

Memorandum *re* bonds (two yellow sheets).

Mr. WHITE: May we put it this way, Mr. Chairman, that Price Waterhouse be allowed to examine these?

Hon. Mr. MACKENZIE: It is a question whether those things fit or not.

Mr. WHITE: Perhaps we had better leave that till this examination is made, and I would suggest that the selection of the physicians to make this examination be left to the Chairman.

Hon. Mr. MACKENZIE: Mr. White, you are raising a question of jurisdiction. I do not think we have the authority to have physicians examine a Senator. You are raising a very big question.

Mr. JACOBS: I would suggest that the Chairman get in touch with Dr. Argue and let him make such arrangements with the doctor as he thinks are necessary. In the meantime, seeing that Senator Haydon may not be here for some little time, while he is being examined and so on, could we not go on with the examination of Dr. Eric McQuaig and Mr. Cartier, of Montreal? Will you be prepared to do that, Mr. Lennox or Mr. Chairman?

Mr. LENNOX: Yes, I am.

Mr. JACOBS: They, I understand, are Conservative organizers whose names have been mentioned as having received funds on behalf of the party. I do not suppose it makes any difference.

Mr. WHITE: Funds, did you say, or chicken feed?

Mr. JACOBS: Well, it is feed for chickens.

Mr. WHITE: Not from the Conservative parties.

Mr. JACOBS: We can get through with it perhaps a little quicker; is that your view, Mr. Chairman?

The CHAIRMAN: We will have to recall Senator Raymond again.

Mr. WHITE: I was going to suggest, in view of what has been said in regard to his knowledge of contributions, that he ought to be asked to attend again.

The CHAIRMAN: I was just wondering. I do not want to disappoint the inquiring minds, but we have evidence now that certain contributions were made to certain political parties. I am told that contributions to political parties are used for election purposes. I do not know whether that is true or not. I am told that is so.

Mr. WHITE: It seems a reasonable kind of—

Mr. JACOBS: Deduction.

The CHAIRMAN: I think we can safely assume that that is what those funds were devoted for. Then when we have spread upon the record the funds which were subscribed by the promoters of this project, and to whom they were subscribed, have we not accomplished what we are seeking to accomplish? We can take it for granted, I think, that the funds were devoted for the advancement of the various parties to whom they were subscribed. Is not that the position, Mr. Jacobs?

Mr. JACOBS: Yes, I think so. I am inclined to agree with you, Mr. Chairman. So far as I am concerned, I am satisfied that the moneys were turned over to the proper source, except in the case of the witness here who still persists in saying he kept it.

The CHAIRMAN: Well, the evidence would indicate that he did.

Mr. LENNOX: He has had it a year and a half.

Mr. JACOBS: He kept the original bonds, I will admit that.

The CHAIRMAN: There is no evidence to the contrary.

Hon. Mr. MACKENZIE: There is no need to discuss that here.

Mr. JACOBS: We will have witnesses here from Toronto on Monday or Tuesday.

The CHAIRMAN: Well then, would it serve a useful purpose, Mr. Gardiner? You are more keenly interested in this than anybody else because your party got the least of all.

Mr. JACOBS: You do not suggest that he is going to make a supplementary claim now.

The CHAIRMAN: Your party was not on the preferred list.

Hon. Mr. MACKENZIE: As far as I am personally concerned I am satisfied we have got most of the information now. Our duty here is to get all the information in the public interest and, as far as I know, I think we have got most of it now.

Mr. WHITE: That directly includes the question as to whether Senator Raymond should be asked to return.

The CHAIRMAN: We are through with Mr. Aird for the time being, unless he is recalled. If we could adjourn now we might discuss this amongst the members of the committee, and if there seems to be any useful purpose to be served by finding out the exact destination of those moneys, and the ridings they were devoted to, and all that kind of thing, why all right. But once having established the contributions I think we have exhausted it. Have you any evidence that you can go on with to-morrow, Mr. White?

Mr. WHITE: I am afraid not, Mr. Chairman. You still want Sir John Aird.

Mr. JACOBS: Yes, I would like to have Sir John Aird here.

The CHAIRMAN: I see no objection to that, and the names of the other witnesses will be supplied by Mr. White.

Mr. WHITE: I have given the list of those who sent the letters. And if there are any instructions in regard to the attendance of witnesses I shall receive those from you to-day, sir.

The CHAIRMAN: That may not be just regular, but I will try and consult with as many of the members of the committee as are here in that regard and so instruct Mr. White.

We will adjourn until Monday at 11 a.m.

The Committee adjourned at 2.30 p.m., Friday, July 17, 1931, to resume on Monday, 20th July, 1931, at 11 a.m.

Dr. Doc.
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Canada, Beauharnois
Special Committee (House)

SESSION 1931

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON



BEAUHARNOIS POWER PROJECT

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 18

MONDAY, JULY 20, 1931

WITNESSES:

- The Honourable W. L. McDougald, a Member of the Senate of Canada.
Sir John Aird, President, Canadian Bank of Commerce, Toronto, Ont.
Mr. Charles F. Lemon, Manager of Discount Department, Royal Bank of Canada, Toronto, Ont.
Mr. William J. F. Ross, Assistant Manager of Securities Department, Canadian Bank of Commerce, Toronto, Ont.
Mr. Donald D. MacLeod, of Messrs Aird, MacLeod and Company, Toronto, Ont.
Mr. Alexander MacD. MacLennan, Accountant, Canadian Bank of Commerce, Yonge and Colborne Branch, Toronto, Ont.
Mr. Kenneth S. Russell, Assistant Manager, Bank of Nova Scotia, Toronto, Ont.

EXHIBITS FILED

No. 112—Photostatic copy of letter, December 5, 1929, from Montreal and signed by John Aird, Junior, *re* transfer of bonds.

No. 113—Copy of Order in Council (P.C. 779), May 7, 1924, appointing a National Advisory Committee respecting Improvement of Navigation on St. Lawrence Waterway.

MINUTES OF PROCEEDINGS

MONDAY, July 20, 1931.

The Special Committee appointed to investigate the Beauharnois Power Project met at 11 a.m. Hon. Mr. Gordon, the Chairman, presided.

Members present: Messrs. Fiset (Sir Eugène), Gardiner, Gordon, Lennox, Mackenzie (*Vancouver Centre*), Stewart (*Lethbridge*).

The Honourable W. L. McDougald, a Member of the Senate of Canada, was called and sworn.

The Committee adjourned until 2.30 p.m.

The Committee resumed at 2.30 p.m. Hon. Mr. Gordon, the Chairman, presided.

Members present: Messrs. Dorion, Fiset (Sir Eugène), Gardiner, Gordon, Jones, Lennox, Mackenzie (*Vancouver Centre*), Stewart (*Lethbridge*).

Sir John Aird, President, Canadian Bank of Commerce, Toronto, Ont., was called, sworn and examined.

Sir John Aird retired.

Mr. Charles F. Lemon, Manager of Discount Department, Royal Bank of Canada, Toronto, Ont., was called, sworn and examined.

Mr. Lemon was discharged.

Mr. William J. F. Ross, Assistant Manager of Securities Department, Canadian Bank of Commerce, Toronto, Ont., was called, sworn and examined. Mr. White, K.C., of counsel for the Committee, filed,—

Exhibit No. 112—Photostatic copy of letter, December 5, 1929, from Montreal and signed by John Aird, Junior, *re* transfer of bonds.

Mr. Ross was discharged.

Mr. Donald D. MacLeod of Messrs. Aird, MacLeod and Company, Toronto, Ont., was called, sworn and examined.

Mr. MacLeod was discharged.

Mr. Alexander MacD. MacLennan, Accountant, Canadian Bank of Commerce, Yonge and Colborne Branch, Toronto, Ont., was called, sworn and examined.

Mr. MacLennan was discharged.

Mr. Kenneth S. Russell, Assistant Manager, Bank of Nova Scotia, Toronto, Ont., was called, sworn and examined.

Mr. Russell was discharged.

The Honourable W. L. McDougald, a Member of the Senate of Canada, was recalled and examined.

Mr. White, K.C., filed,—

Exhibit No. 113—Copy of Order in Council (P.C. 779), May 7, 1924, appointing a National Advisory Committee respecting Improvement of Navigation of St. Lawrence Waterway.

The Honourable W. L. McDougald retired.

The Committee adjourned until to-morrow, Tuesday, July 21, at 11 a.m.

JOHN T. DUN,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231.

MONDAY, July 20, 1931.

The Special Committee appointed to investigate the Beauharnois Power Project met at 11 o'clock, Hon. W. A. Gordon presiding.

Appearances:

Peter White, K.C., Louis Morin, K.C., B. H. Symmes, for the Committee.
G. H. Montgomery, K.C., L. A. Forsythe, K.C., I. F. Hellmuth, K.C., for the Beauharnois Company.

J. R. L. Starr, K.C., for Senator McDougald.

Hon. Lucien Cannon, K.C., for the Province of Quebec.

Lucien Moraud, K.C., for the Royal Trust Company.

The CHAIRMAN: Mr. White, will you proceed?

Mr. WHITE: I will call Senator McDougald.

Mr. STARR: Notwithstanding the sound legal advice I gave him, Senator McDougald is willing to give his evidence.

WILFRID LAURIER MACDOUGALD, called and sworn.

The CHAIRMAN: Now, gentlemen, the committee will adjourn until 2.30 this afternoon. Some members of the committee, unfortunately, are unable to be here this morning. I am sorry to say that Mr. Jacobs is unable to be present owing, unfortunately, to an accident to his son.

Committee adjourned until 2.30.

AFTERNOON SESSION

On resuming at 2.30 o'clock.

The CHAIRMAN: Mr. White, Sir John Aird is here, and I understand that he wants to leave on the four o'clock train, and if it is not inconsistent with what you have planned this afternoon by way of spreading evidence on the record, I think the members of the committee will be content to have Sir John Aird give his evidence now.

Mr. WHITE: I will be very glad to do that now.

Sir JOHN AIRD called and sworn, and examined by Mr. White.

Q. This is the electric chair, here, Sir John. You, I understand, are chairman of the board of directors of the Canadian Bank of Commerce?—A. I am president of the bank.

Q. President of the bank. You have occupied that position for how long?—A. For several years.

Q. Previously to that you were general manager?—A. I was general manager, yes.

Q. And Mr. John Aird junior is your son?—A. Yes.

The CHAIRMAN: Mr. White, Mr. Jacobs asked that Sir John Aird be called, but unfortunately Mr. Jacobs, by reason of some private matter, cannot be here to-day, and I thought probably Mr. Mackenzie could ask the questions.

Mr. WHITE: I was just going to ask that. I really do not know what the object was in bringing Sir John here. I have not had the opportunity of speaking to him, and I do not know what he is going to say, and perhaps Mr. Mackenzie would take on the examination.

By Hon. Mr. Mackenzie:

Q. Sir John, I presume you have read press reports in regard to your son's evidence here the other day?—A. Well, I saw it in the papers. I have not read the evidence.

Q. And you, yourself, gave a statement to the press during the week-end?—A. I beg your pardon?

Q. You, yourself, gave a statement to the press?—A. Yes, that I was willing to come here.

Q. You, also, according to the press, said you had no knowledge of the matter referred to here the other day. Is that correct?—A. Well, I knew of course the case was before the committee.

Q. The point that interests us is, did you have knowledge of this transaction?—A. No, I had no knowledge at the time that the transaction was gone into by my son.

Q. Did you have any subsequent knowledge of the transaction?—A. Well, I will have to go back, if the court will permit me, to explain that one reason that my son probably made a mistake. He said he guessed that I knew. The fact of the matter was—

Q. Let me read the evidence of your son, so it will be absolutely clear in your mind. I think it is on page 852 of the evidence, and is as follows:—

By Mr. Jacobs:

Q. Now, I ask you whether Sir John Aird knew about the transaction?—A. I do not know whether he knew about it before or not.

Q. You never told him?—A. I didn't talk it over with him, no, until after I got the thing fixed up?

Q. What?—A. Until I got the money.

Q. You told him after you got the money that you had got it?—A. Sure.

Q. You told him the circumstances?—A. Yes.

Q. He knew?—A. I think so.

Q. You told him the truth?—A. I told him; he must have known.

Q. Have you any comment to make at all on that?—A. Well, I certainly did not know of the transaction before, because for a very good reason. He did not remember that I was not in Canada. I have been away from Canada in connection with the radio broadcasting system and another matter, the Institute of Pacific Relations in China and Japan, and when this transaction took place I was either in China or Japan, and he could not have consulted me. I was absent in 1929, practically for ten months, and I did not return to Canada until well on in 1930. It is probable that he—that sometime he would say he had had this transaction, but he did not go into any details with me at all.

Q. You cannot assist the committee or give us any information with regard to the transaction, can you?—A. That he had some negotiations with Mr. Swezey, his friend Mr. Swezey, and that he had made some money, something like that. He did not tell me the details.

Q. He did not tell you the details?—A. No, he did not.

Q. Of the amount?—A. The only time he gave me details, at least any greater information on that, was two or three weeks ago.

Q. After this committee began?—A. After the committee—when the thing commenced to be aired in the newspapers.

Mr. WHITE: You are not now making a pun, are you?—A. It is aired, anyhow. He came to me then, and he told me that judging from what was going on, he probably would have to appear before the committee, and he wanted to know what he would do. Well, I said, "I hope your skirts are clear," as a father would naturally say, "and that you have nothing to conceal." And he said, "No." Well, I said, "Go into the witness box, and tell them the absolute facts of what took place." That is about all that took place between us.

Q. That is all you know about the transaction?—A. That is all I know about the transaction. He did not consult me before, because he had no opportunity.

Q. In other words, you had no antecedent knowledge?—A. No, no, not the slightest information.

Q. That is all.

The CHAIRMAN: Does any member of the committee desire to ask Sir John Aird a question?

The WITNESS: Mr. Chairman, may I make a statement? The bank which I represent has been dragged into this case, for some reason I don't know. I may say that the bank has made advances to this company, and did in the first place on legal advice, on the strength of the order in council, and the facts that were put before the public in the prospectus. The bank and two other banks made these advances, and in due course were repaid. I would like to say, however, that the bank got no indirect advantage from this connection. It neither got a cash bonus or a stock bonus, or a bond bonus of any kind. It merely made advances on simple interest, and undertook, that if the project went through, it would further finance the company on the first mortgage bonds. The bank is committed to do that to a certain extent.

By Mr. Mackenzie:

Q. After the collateral trust bonds were already issued, was it?—A. Yes. Now, naturally the bank hesitates to make further advances in view of what has transpired in this committee. I wish to make a further statement. I never met Mr. Swezey, would not know him if I met him on the street; never spoke to him. I do not know the members of the hydro commission. I did know Mr. Magrath at the time he was the chairman; but I do not know the members of the hydro commission of Toronto to-day, and I would not know Mr. Cooke if I saw him. Now I would like to make that statement, because from a banker's standpoint, we think a great injury is being done to credit. I have no doubt that Mr. Swezey's company has made many commitments in regard to the purchase of machinery for carrying on this project, but I should say he would have some difficulty in financing until this situation is cleared up.

I would strongly recommend the committee, if possible to clear up this situation in the interests of the country at the earliest possible moment so that the project may go on and the public and the people who have invested in this company might know exactly where they are.

Now, Mr. Chairman, I have made that statement offhand in the general interests of the company.

By Mr. Lennox:

Q. Was not your bank interested in those collateral trust bonds, \$30,000,000?—A. We made advances against it under the order in council, but the bonds were sold and we were paid off. And, if you will remember, the prospectus stated that there would be another issue of bonds which would be regarded as the first mortgage bonds. The bank agreed at that time, if everything went right, that they would make further advances.

Q. I must have misunderstood Mr. White, because I thought his evidence was that the three banks had undertaken the flotation?—A. No. The banks are not issuing houses.

By Hon. Mr. Mackenzie:

Q. Is the company obligated to your bank at the present time?—A. Yes, it is obligated to all the banks. And I think you will find that all the banks take the same attitude I have taken, although I am not speaking for the other banks.

By Mr. White:

Q. Sir John, you used an expression "injury to credit". Would you be good enough to tell the committee in what respects the proceedings of this committee have injured the credit of this company, or credit generally?—A. Well, the fact that the public would naturally not take up the second issue of those securities so long as this investigation is going on; they do not know what is going to happen, and I would not think the company would be able to buy machinery if the public confidence in the securities is shaken. I think you should realize this too.

Q. May I take it that it is the fact that the affairs of the company are being investigated?—A. Well, in the manner that they have been and the disclosures that have been made.

Q. I see?—A. That is bound to affect the securities.

Q. You are not suggesting any reflection at all upon the committee by the way in which the investigation has been conducted?—A. Oh, no.

Hon. Mr. MACKENZIE: We did not seek these onerous duties. We are here at the command of parliament.

The WITNESS: I realize that. I only make that statement in the hope that some solution will be arrived at whereby the work can go on, because it is important that the labour situation should be taken care of. I do not know how many thousand men they have on that canal.

Mr. WHITE: About 3,000, they tell us.

The WITNESS: If the company is not able to get credit, well, the thing will come to a stop.

By Mr. White:

Q. Just one more question. You told us about a conversation that you had with your son, I mean John Aird Jr., since this investigation started, and you spoke about some conversation that you had had with him previously to that?—A. Well, I say any conversation I had had with him previous was in a casual transaction at the house, probably at dinner.

Q. I just wanted to know if at that time he had told you that he had received a certain sum of money in a deal with Mr. Sweezey, or words to that effect?—A. I cannot say that he did; I cannot swear that; but I think he would. I have no distinct recollection that he did. But he says he did and I believe him.

The CHAIRMAN: That will do, Sir John.

By Mr. Lennox:

Q. General Stewart has drawn my attention to a statement made by the Honourable Mr. McDougald on the 20th of May, 1931, in which he says:—

The Bank of Montreal, the Royal Bank of Canada and the Canadian Bank of Commerce associated themselves with the backers and underwrote the securities.

Is that statement correct?—A. We did not underwrite. That was done by the Dominion Securities Company.

Mr. WHITE: Is that Senator McDougald's statement.

Mr. LENNOX: Page 150.

The CHAIRMAN: He is reading from Senate Hansard.

The WITNESS: My son is here. I think he has been recalled to give further evidence.

The CHAIRMAN: Thank you, Sir John.

Witness retired.

The CHAIRMAN: Mr. Jacobs also asked that the representatives of the banks who held these bonds be subpoenaed. These bankers, I understand, are here, and if Mr. Mackenzie, acting for Mr. Jacobs, would like to hear them we will be very glad to call them.

Hon. Mr. MACKENZIE: Mr. Chairman, in regard to that I would like to make a statement. These men were called for by Mr. Jacobs, and on investigation and consideration I find it will take at least two weeks to make a thorough investigation with an independent audit of all these bond transactions, coupon transactions, deposits and withdrawals, and it is a matter entirely for the committee as to whether they are prepared to make that investigation or leave it for some other tribunal to do so. They are not my witnesses. That is my statement.

The CHAIRMAN: Let us hear their evidence. We want to make it abundantly plain that these bankers were brought here, for the purpose I presume, of giving evidence as to those bonds, where they were and who owns the bonds. Now they are here and, so far as I am concerned, I am quite content that they be called.

Hon. Mr. MACKENZIE: So am I, Mr. Chairman, absolutely. But I do suggest this, that we cannot have a complete investigation of those transactions with an independent audit which will probably take about two or three weeks, and if the committee wishes to stay here for that period I am quite satisfied to stay here.

Mr. LENNOX: I think we had better get what information they have. They were asked to come here.

The CHAIRMAN: I think you had better call the bankers, Mr. White.

Mr. WHITE: I will call Mr. C. F. Lemon.

CHARLES F. LEMON, called and sworn.

By Mr. White:

Q. Mr. Lemon, you are the Manager of the Discount Department, Royal Bank of Canada?—A. Toronto.

Q. At Toronto?—A. Yes.

Q. And is this your letter to Mr. John Aird, Jr.?—A. Yes, sir.

Q. And is the information contained in there correct? You signed the letter, did you not?—A. Yes, sir.

Q. And you examined your records before you signed it, did you not?—A. No I did not.

Q. Well, do it now then?—A. That is correct, Mr. White.

Q. That is correct, and in accordance with your records?—A. Yes, sir.

Q. Will you tell the committee first, in respect to the first item mentioned here, 12,000 Hydro-Electric Power Commission of Ontario bonds, when those were deposited with your bank for the account of Champlain Construction Company?—A. No, sir, that is incorrect. They were deposited for a loan to John Aird, 27th March, 1931.

Q. It is either Champlain Construction Company or John Aird, Jr.?—A. Yes, sir.

Q. Some of them were Champlain Construction Company and some John Aird, Jr., is that what the letter means?—A. Yes, sir.

Q. Can you tell us when the 12,000 Hydro Electric Power Commission of Ontario bonds referred to in this letter were deposited?—A. On the 27th March, 1931.

Q. Then the next item is 8,000 Province of Saskatchewan. Can you tell us when they were deposited?—A. On the 15th of June, 1931.

Q. And the 2,000 Government of the Province of Alberta?—A. The same date.

Q. And the 10,000 Dominion of Canada War Loan?—A. On the 14th of July, 1931.

Q. Those are numbers 34914-5-6-7-8-9-20-21-22-23?—A. Yes, sir, correct.

Mr. FORSYTHE: What is the date of the letter?

Mr. WHITE: The 14th of July, 1931.

Mr. FORSYTHE: And they were deposited the same date?

Mr. WHITE: Yes.

By Mr. White:

Q. Now, will you be good enough to tell the committee whether or not this is an ordinary banking transaction?—A. It is an ordinary banking transaction.

By Hon. Mr. Mackenzie:

Q. Mr. Lennon, there were four different transactions with you, the first on the 27th of March, two on the 15th of June, and one on the 14th of July. Is that correct?—A. Correct, sir.

Q. Take the first transaction on the 27th of March. How were these bonds deposited with you?—A. By hypothecation.

Q. By whom?—A. By John Aird, Jr.

Q. Personally?—A. Yes sir.

Q. Did you see him in connection with this deposit?—A. Yes, sir. I took the bonds in myself.

Q. Did you get any instructions in regard to those bonds?—A. They were to be deposited as collateral for his loan, that is all.

Q. Did you have any correspondence of any kind whatsoever with Mr. John Aird, Jr., with regard to those bonds?—A. No, sir. The only correspondence I had was that letter. The only correspondence is that letter.

Q. Were you asked to write that letter?—A. Yes, sir, I was asked to write that letter.

Q. By Mr. Aird?—A. By Mr. Aird.

Q. Take the first transaction on the 15th day of June; did you have any correspondence or transaction in regard to that first transaction?—A. No, sir.

Q. The circumstances were exactly similar, were they?—A. Well, he just came in and deposited them.

Q. They were personally deposited by Mr. Aird, were they?—A. Yes, sir.

Q. And the second transaction on the 15th of June, the same circumstances?—A. Yes, sir.

Q. And the transaction on the 14th day of July?—A. The same thing.

Q. You did not receive any instructions in regard to them?—A. No, sir, I did not receive any instructions in regard to them.

Q. Were those also placed against the loans or advances made by you?—A. Yes, sir.

Q. All four transactions were?—A. Yes, sir.

Q. Did you receive any instructions from any other source whatsoever in regard to those bonds?—A. No, sir.

Q. At any time?—A. No, sir.

Q. Did Mr. Aird have any other bonds in your deposit except those that we are now referring to?—A. None other than the four transactions.

Q. How long has he dealt with your branch in Toronto?—A. Somewhere in the neighbourhood of March 27th, this year.

By Hon. Mr. Mackenzie:

Q. Mr. Lennon, the first transaction in regard to these bonds was on the 27th March, 1921?—A. Yes, sir.

Q. Did you have anything to do with this transaction with Mr. Aird, Jr., before then?—A. I did not; I could not say for the bank as a whole.

Q. You said that these bonds were deposited with you on the 27th March as collateral against advances. What were the advances then made by the bank to John Aird, Jr.?—A. \$11,000.

Q. When?—A. On the 27th March.

Q. How?—A. \$10,000 demand loan and a time loan of \$1,000.

Q. A time loan of \$1,000?—A. Yes.

Q. Take the first transaction on the 15th June. By that time had some more advances been made to John Aird, Jr.?—A. That was for a tender cheque of the Champlain Construction Company.

Q. And the amount?—A. \$7,200 on June 2, 1931.

By the Chairman:

Q. Was that a marked cheque?—A. Yes, a marked cheque for tender.

By Hon. Mr. Mackenzie:

Q. How much did John Aird, Jr. owe your bank on the 14th June before he made these deposits?—A. \$17,200.

By Mr. White:

Q. \$18,200 was it not?—A. I think he paid \$1,000.

By Hon. Mr. Mackenzie:

Q. How much was deposited in the two transactions of June 15?—A. How do you mean?

Q. By way of collateral?—A. Just the \$8,000. Province of Saskatchewan and the \$12,000 Hydro Electric Power.

Q. So on the evening of the 15th June he had deposited with you collateral to the amount of \$20,000 as against advances of \$17,200?—A. That is correct.

Q. In other words, his collateral was \$2,800 in excess of advances made to him?—A. Yes.

Q. Coming to the 14th July, had you made any advances to John Aird, Jr., between the 15th June and the 14th July?—A. Yes, another tender cheque for \$9,320.

Q. What was the total obligation of John Aird, Jr., to the bank on the morning of the 14th July?—A. Are you speaking of John Aird, Jr., personally or his associated companies?

Q. I am speaking of transactions upon which you made advances to him and as against which these bonds were deposited with you as collateral security.—A. Well, his own advance was \$10,000; the Champlain Construction Company, \$7,200; St. James Court, Limited, \$5,500.

Q. Making a total for all his companies of \$22,700?—A. Yes.

By the Chairman:

Q. Does that include the last tender cheque of \$9,320?—A. No, it does not include that; that was paid off on the 4th July.

Hon. Mr. MACKENZIE: We are coming to that.

Q. So on the 15th June he was \$2,800 in credit by way of collateral security deposited over advances made. What was the situation on the morning of the 14th July in regard to the relationship between advances made and securities deposited?—A. \$3,200 in bonds.

Mr. WHITE: Could we have some more windows opened, Mr. Chairman?

The CHAIRMAN: Yes.

Hon. Mr. MACKENZIE: I think the committee is to be congratulated upon this evidence of increased popularity, Mr. Chairman.

Q. That was on the morning of the 14th July?—A. Yes.

Q. As at that time what were the advances made to him?—A. \$22,700.

Q. That is, to himself and to all of his associated and co-related companies?—A. Right.

Q. On the evening of the 14th July he had deposited with you in the meantime \$10,000 more?—A. That was deposited in the morning.

Q. You are taking that into account?—A. Yes.

Q. So on the evening of the 14th July you had \$9,300 more of collateral security in your position than the advances made to him and all his companies?—A. Yes.

By Mr. Stewart:

Q. Is it a usual thing to have more bonds deposited with you than has been borrowed against them?—A. That is always the case.

The CHAIRMAN: It is so far as I am concerned, I know.

The WITNESS: Where possible, I should add.

Hon. Mr. MACKENZIE: We appreciate the assistance given to the witness by the committee to the right.

Witness discharged.

WILLIAM JAMES FRANKLIN ROSS, sworn.

By Mr. White:

Q. Mr. Ross, I understand you are Assistant Manager of the Securities Department of the Canadian Bank of Commerce?—A. Yes, sir.

Q. And as such did you write this letter, dated July 14, 1931, to John Aird, Jr.?—A. Yes.

Q. And is the information contained in that letter correct?—A. Yes, sir.

Q. And in accordance with the records of the bank?—A. Yes.

Q. You would not have anything to do with the Yonge and Colborne Branch?—A. No, sir.

Q. This letter reads in part as follows:—

We beg to acknowledge receipt of the following securities which are to be lodged for safekeeping on your account:—

\$40,000 Dominion of Canada War Loan

Tell us when those were deposited with you?—A. On the morning of the 14th.

Q. By whom?—A. By John Aird, Jr.

Q. Personally?—A. Yes.

Q. Did he have an account with your branch, the head office branch?—A. He had, yes.

Q. Apparently this letter had nothing to do with his account?—A. No.

Q. The securities were simply deposited on the morning of the date of this letter for safe-keeping with the bank?—A. Yes.

Q. And they are there?—A. Yes.

Q. And have been there since?—A. Yes.

By Hon. Mr. Mackenzie:

Q. Are you at the head office of the Bank?—A. At the main Toronto Branch.

Q. Are you aware of how John Aird, Jr.'s account stood with your branch on the 14th July?—A. Yes, I have records here.

Q. Tell me in round figures?—A. There is no balance at all in the current account.

By Mr. White:

Q. Do you mean it was flat?—A. Yes, sir. There is a small savings bank account which shows a balance of \$17.

By Hon. Mr. Mackenzie:

Q. How long have you been in the Securities Branch of the Toronto Main Branch?—A. Practically three years.

Q. Did Mr. Aird have any other collateral securities on deposit with you other than the \$40,000 deposited on the morning of the 14th July?

Mr. WHITE: They were not collateral.

Hon. Mr. MACKENZIE: I am getting it out.

Q. What do you say?—A. Yes, sir; there were previous transactions of which I have records here.

Q. Were these held for him in his account?—A. These were held as collateral to certain advances.

Q. Were any advances made to him before the 14th July?—A. Yes.

Q. Can you give me the total amount of the advances made to him?

The CHAIRMAN: You just want it in round figures?

Hon. Mr. MACKENZIE: Yes.

Q. Just round figures?—A. In December, 1929, there was an over-draft created of around \$3,000, and at that time \$10,000 of Dominion of Canada 5½ per cent 1937 bonds were lodged as security for that over-draft.

Q. On what date in December, 1929?—A. The securities were lodged on the 6th and the over-draft was created on the 7th.

By the Chairman:

Q. And the \$10,000 of bonds mentioned were part of these bonds of which you are speaking?—A. Yes.

Hon. Mr. MACKENZIE: That is a question I was just going to ask him.

Q. How was the account so far as the over-draft was concerned before the 14th July, let us say on the 13th of July?—A. This account was closed on the 18th April; there has been no entry in it since.

Q. So the next thing you knew after the 18th April was his appearance at your branch on the morning of the 14th July?—A. Yes.

Q. Did he appear personally?—A. Yes.

Q. And he deposited these \$40,000 of bonds with you personally?—A. Yes.

Q. Did you have any instructions from him in regard to those?—A. No.

Q. Did you know the source from which they came?—A. No.

Q. Did you have any conversation with him on the morning of the 14th July?—A. He came to my wicket and said he wished to lodge these bonds for safe-keeping, and would like me to give him a receipt. I checked the bonds

over and turned them over to a stenographer, who wrote that letter, and I then checked them back on the letter and signed it and gave it to him.

Q. You took the bonds without any instructions and gave him the letter, which the committee now has in evidence, in return?—A. Yes.

The CHAIRMAN: He said that before.

By Mr. Lennox:

Q. That is all you know with regard to the history of the \$40,000?—A. Yes.

Q. You knew nothing about them before they came to you on the 14th July?—A. Those bonds were part of some bonds received for delivery to John Aird, Jr., in December, 1929.

By the Chairman:

Q. These were part of the bonds sent by express from Montreal?—A. Yes.

By Hon. Mr. Mackenzie:

Q. They came to you from Montreal on the morning after the transaction took place?—A. They were received by us on the morning of the 6th December, 1929.

Q. That is \$120,000 in bonds?—A. Yes.

Q. How long were these bonds left in your custody?—A. They were delivered the same day to Mr. Aird.

Q. Was any account opened in connection with these bonds by Mr. Aird with you then?—A. No, sir.

Q. They just passed through your hands?—A. Yes.

By Mr. White:

Q. Have you the numbers of the bonds which you received on the 6th December?—A. Yes.

Q. I will check that up and let you have them?—A. I have them on the original letter which arrived from Montreal, and I also have a photostatic copy of it.

Q. If you will let us have that.

Hon. Mr. MACKENZIE: What is that?

Mr. WHITE: A photostatic copy of the letter received from Montreal enclosing the bonds received by them on December 6th signed John Aird, Junior. I just wanted to be certain that they were the actual bonds that were spoken of.

The CHAIRMAN: We will file that photostatic letter.

(Photostatic copy of letter dated December 6th, filed, marked exhibit 112.)

By Mr. White:

Q. Now, I wasn't quite clear about something. It is not a fact that between the 6th December, 1929, and the 14th July, 1931, at some time during that period, some of those bonds came back to you as collateral security for advances?—A. Yes, sir.

Q. When was that?—A. The same day \$10,000 of these bonds were lodged as collateral for this overdraft.

Q. You say an overdraft was created then?—A. An overdraft had been created the next day.

Q. By arrangement?—A. By arrangement.

By Hon. Mr. Mackenzie:

Q. When the overdraft was created was any money withdrawn?—A. I assume by way of a cheque.

Q. Do you know the amount of the cheque?—A. Yes, sir. \$3,155.

By Mr. White:

Q. Have you got the cheque?—A. No sir.

The CHAIRMAN: I do not think we are interested in it.

By Mr. White:

Q. What I wanted to know was; \$10,000 of these bonds were returned to you at that time as collateral?—A. Yes.

Q. At any time during the period I have mentioned were there any of the bonds used for collateral to overdraft on loans advanced, and on behalf of Mr. John Aird, Junior?—A. You mean of these particular Dominion of Canada Bonds?

Q. Yes?—A. No sir; they were the only Dominion of Canada bonds which were at any time in that period—

Q. Did you have other bonds deposited during that period by Mr. Aird as collateral?—A. Yes.

Q. What were they—a collateral transaction?—A. \$12,000 Hydro Electric Powers Commission's bonds were deposited on the 1st August, 1930.

Q. As collateral to a loan?—A. Yes, sir.

Q. And were they withdrawn later?—A. Yes, sir.

Q. When?

The CHAIRMAN: Can you identify the Hydro Electric bonds as the same bonds?

Mr. WHITE: It is the same amount, Mr. Chairman.

The CHAIRMAN: It is obvious that they are the same.

Mr. WHITE: I do not think there is any question.

WITNESS: Those were surrendered on the 27th March, 1930.

By Mr. White:

Q. When the loan was paid off?—A. Yes.

Q. Have you got the numbers of those bonds?—A. That is in the nature of an interim bond certificate issued by the Dominion Securities Corporation.

Q. I see; not a definite bond.

By Mr. Mackenzie:

Q. Will you explain that so that a humble financial mind like mine can grasp it?—A. Prior to the issue of the definite bonds, the Dominion Securities issued what were called interim certificates which were really issued by the Dominion Securities Corporation.

By Mr. White:

Q. And when the definitive bonds were lithographed and issued they were replaced?—A. Yes, sir.

Q. Were there other bonds deposited during this interval between the 6th December, 1929, and the 14th July, 1931?—A. No, sir.

By Hon. Mr. Mackenzie:

Q. Outside of the \$40,000 that came back on the 14th of July, 1931, you have no personal knowledge as to where the remaining bonds were, which you had in your hands, on the 6th day of December, 1929?—A. No, sir.

Witness dismissed.

DONALD DOUGLAS MACLEOD, called and sworn.

By Mr. White:

Q. You are a member of the firm of Aird, MacLeod & Company?—A. Yes, sir.

Q. Dealers in bonds and investment securities in Toronto?—A. Yes, sir.

Q. And writer of this letter dated July 14, 1931, addressed to John Aird, Junior?—A. Yes, sir.

Q. Is your brother a partner of Mr. Aird?—A. Yes sir.

Sir EUGENE Fiset: This letter is not on the record.

Mr. WHITE: Yes, it is 112. This letter, on order that it may be read in is dated July 14, 1931, addressed to John Aird, Junior, and is as follows:—

We are holding \$4,000 Province of Saskatchewan 4 per cent bonds—due 15 November, 1957—as collateral security against your account with us, numbers as follows: 1530, 1899, 0900, 0201.

Your very truly,

(Sgd.) AIRD, MACLEOD & COMPANY.

By Mr. White:

Q. Is this letter in accordance with facts?—A. Yes sir.

Q. And when did you obtain these \$4,000 of bonds from Mr. Aird?—A. On November 11, 1930.

Q. 1930?—A. Yes sir.

Q. As collateral to his account with you?—A. Yes sir.

Q. Still holding them?—A. Yes sir.

By Hon. Mr. Mackenzie:

Q. Were you asked for this letter of July 14?—A. Yes sir.

Q. How long was Mr. Aird—John Aird, Junior, trading with your firm?—A. March 1st, 1929.

Q. Did he have any other security collateral with your firm except \$4,000?—A. That is all sir.

Q. When was that deposited?—A. I think I gave that date—November 11, 1930.

Q. Were there any instructions given regarding this particular deposit?—A. No. Apart from the fact that he had that trading account.

Q. Was he behind with your firm?—A. No, sir, he was not.

Q. That is all thank you.

Witness dismissed.

ALEXANDER MACDONALD MACLENNAN, called and sworn.

By Mr. White:

Q. You are employed, I understand, by the Bank of Commerce, Yonge and Colbourne Branch, in Toronto?—A. Yes, sir.

Q. In what position?—A. Accountant.

Q. Did you sign this letter dated July 14, addressed to John Aird Junior?—A. Yes, sir.

Q. The letter is as follows:—

TORONTO 2, Ont., July 14, 1931.

Mr. JOHN AIRD, Jr.,
The Concrete Masonry Restoration Ltd.,
McKinnon Building,
Toronto.

DEAR SIR,—This is to advise that the following bonds have been deposited with us as collateral to the advances accorded the Concrete Masonry Restoration Limited:

and then there are other bonds mentioned in the letter. The ones we are concerned with are XX342627-32E—I suppose that is inclusive?—A. Yes.

Q. XX231851; XX231853-5E, inclusive?—A. Yes.

Q. XX342964-5E, inclusive—\$10,000 Dominion of Canada 5½ per cent December 1st, 1937—I suppose that is the due date?—A. Yes.

We shall be obliged if you will have the enclosed form of hypothecation signed and sealed by the proper officers of the Concrete Masonry Restoration Ltd., and returned to us.

Yours truly,

(Sgd.) A. M. MACLENNAN,
pro Manager.

Q. Can you tell the members of the committee when these Dominion of Canada bonds were delivered to the bank?—A. Yes, on the morning of the 15th of July.

Q. July?—A. 1931.

Q. 1931?—A. Yes.

Q. As collateral?—A. Yes, sir.

Q. Was that done at your request or—A. Pardon?

Q. We are concerned to know how—the date is rather of some significance here—was that on demand of the bank or did Mr. Aird voluntarily deposit these or how did they come to be deposited?—A. These bonds, I understand, were to be lodged as security against those advances which are now current.

By Hon. Mr. Mackenzie:

Q. Against what?

Mr. WHITE: Advances which are now current.

Q. How much is the advance?—A. The advance at the present time is \$19,500.

Q. How much security are you holding against that?—A. Approximately \$24,000.

Q. Under what circumstances did this particular lot of \$12,000 of Dominion of Canada, 1937, come to be deposited?—A. In the usual course of business.

By Hon. Mr. Mackenzie:

Q. Mr. MacLennan, before the 14th day of July, 1931, how did John Aird, Junior's account stand with you by way of collateral securities and advances made to the company actually?—A. Before the 14th sir?

Q. Yes, or on the 13th?—A. The advances were \$19,500 and the securities approximately \$12,000.

Q. \$12,000?—A. Yes.

The CHAIRMAN: In addition to \$19,500?

Mr. FORSYTHE: There was \$19,000 advanced on \$12,000 security.

By Hon. Mr. Mackenzie:

Q. Have you any correspondence with Mr. John Aird about the second week in July asking for further securities?—A. No, sir.

Q. So that the deposit made on the 14th July in your branch was not made in response to a letter received from your or your bank?—A. No, sir.

Q. That is correct, is it?—A. Yes.

Mr. WHITE: I should have mentioned, Mr. Chairman, before these witnesses were called, that Mr. Huyck, of the Osler firm of Toronto, informed me this morning that he was here representing Mr. John Aird, Junior, and I do not know whether he cared to ask the committee for permission to ask any questions respecting this matter, or whether the committee would consider according him that privilege.

Hon. Mr. MACKENZIE: Any witness appearing before this committee is entitled to counsel, surely.

Q. Did you have any instructions from Mr. John Aird in regard to this particular transaction, on the 14th July?—A. No, sir.

Q. The transactions made in your subsidiary branches are all reported to the head office?—A. That would all depend, sir.

Q. I beg your pardon?—A. All the entries, yes, sir.

Q. Would the various transactions and deposits of Mr. John Aird, Junior, be within the knowledge of the head office?—A. Yes, sir.

By Mr. Lennox:

Q. This transaction of John Aird, Junior, was it an unusual one, or a common one?—A. It was not an unusual one, sir.

By the Chairman:

Q. It was done in the ordinary course of banking business?—A. Yes.

By Hon. Mr. Mackenzie:

Q. Did Mr. Aird himself, personally, make transactions of this type with you previously?—A. This is the only one to my knowledge, sir, that he did make.

Q. The only one he personally made with you at your branch?—A. Yes, sir.

Witness dismissed.

KENNETH S. RUSSELL, called and sworn.

By Mr. White:

Q. What is your second name?—A. Sterling.

Q. I suppose that is why you are in the bank. You are assistant manager of the head office branch of the Bank of Nova Scotia, Toronto?—A. The main office, Toronto.

Q. As such, did you write this letter, dated July 14th, 1931, to Mr. John Aird, Junior?—A. I did.

Q. That letter is this:—

DEAR SIR,—We beg to advise holding the following security as collateral for your account, \$3,000 Dominion of Canada, 5½ per cent, December 1, 1937, 342981-3, inclusive.

Is that in accordance with the bank records?—A. Yes.

Q. When were these deposited at your bank as collateral?—A. March 19, 1930.

Q. To the personal account of Mr. Aird?—A. Personal loan to Mr. Aird.

Q. You still hold them?—A. We still hold them.

By Hon. Mr. Mackenzie:

Q. When did Mr. Aird open his account with your branch, Mr. Russell?—A. Some time prior to 1925.

Q. He had other securities deposited at your branch?—A. Looking back over the records, he had, over a period of years.

Q. But on the date you gave, March 19, 1930?—A. He had nothing.

Q. No collateral securities, then?—A. No.

Q. What was the state of his account which he owed on that date?—A. Are you referring to loan or to his deposit accounts?

Q. Take the loans as advanced, and securities with you?—A. \$3,000.

Q. That is, at the time he made this deposit with you?—A. Yes.

Q. The deposit was \$4,000?—A. \$3,000.

By the Chairman:

Q. Do you mean deposit security?—A. That is right.

By Hon. Mr. Mackenzie:

Q. That deposit has been in your possession ever since?—A. Yes sir.

Q. That is all.

Witness retired.

Hon. Mr. MACKENZIE: In regard to the general evidence given by the bankers, it is very much appreciated by me, as one of the committee, but I am entirely dissatisfied personally that this gives the committee full opportunity of weighing this entire transaction. I would suggest that the matter be more thoroughly gone into, by competent auditors or in some other way, or by another tribunal.

The CHAIRMAN: The evidence seems to me to be very complete as to the history of the bonds.

Hon. Mr. MACKENZIE: If you are content to leave it there, all right.

Witness dismissed.

WILFRID LAURIER McDUGALD, called.

The WITNESS: Mr. Chairman and gentlemen.

Mr. STARR: Mr. Chairman, before going on with the examination of Senator McDougald, I would like to make an application along these lines; he is in a different category from the other witnesses, because he has been charged by Mr. Gardiner, a member of the committee sitting here to-day, with certain charges made in the House of Commons. Under those circumstances I desire to ask you to let me take him over his own story first, then he is open to examination. I think he is entitled to that because of the charges levelled against him.

Mr. WHITE: I think I shall be able to elicit the facts, Mr. Chairman.

The CHAIRMAN: Oh, I think so. Others who have given evidence were mentioned by Mr. Gardiner in his address in the House of Commons, particularly Senator Raymond.

Mr. STARR: They did not come under the head of Mr. Gardiner's speech in the Commons. I think Mr. Gardiner ought to vote for this himself.

Mr. LENNOX: I think your position would be very much stronger if you followed Mr. White.

Mr. STARR: I would follow Mr. White anyway.

Mr. LENNOX: I mean to say it would be very much stronger.

Mr. STARR: I would follow him anyway.

The CHAIRMAN: I think we can get along by direct examination by the committee counsel. At any time, Mr. Starr, you think the evidence is not being put in properly, or something is being left out, or a wrong interpretation is placed on anything, you will be given full opportunity.

Mr. STARR: I may interrupt Mr. White without being sat upon?

Hon. Mr. MACKENZIE: Probably you will both be sat upon.

The WITNESS: Mr. Chairman and gentlemen, I am here to answer to your summons. But before giving evidence I would like to make a short statement in addition to the one made by my friend, Mr. Starr, on Thursday last.

I regret exceedingly that I was forced into the position of showing apparent disregard to your committee and to the House of Commons by not coming here on the first summons. I understood on what I considered to be the very best authority that I would be questioned and cross-questioned on matters of which I have no knowledge whatever, and in which I did not want to be the one to even hint at what was brought out before your committee on Friday last. To-day it is cleared up, and I wish to say that I feel now, as Chairman of the Beauharnois company, it is my duty and my pleasure to come here to answer any and all charges which you may desire to ask me with regard to my personal relations with that company, and I feel that I owe that to the shareholders and to the investing public.

By Mr. Lennox:

Q. Did I understand that you were not aware that that statement was going to be read by Mr. Starr?—A. I did not say that.

Q. I misunderstood you. What is your position with regard to that statement?—A. That is was a perfectly good legal opinion which I had as to whether I should or could come here, being a Senator.

Q. It was read with your knowledge?—A. Oh, yes, certainly.

By the Chairman:

Q. As I gather your statement, Senator, something has happened between the time of your refusal to attend and to-day that has caused you to change your attitude?—A. Exactly.

Q. What happened?—A. The evidence that was brought out here on Friday, which I could not mention specifically, and there is another reason why I should not, that is, campaign funds of which I had no responsibility or no knowledge. I had been told that I would be asked questions on that and I did not want to be put in that position.

Q. Who told you that?—A. On very good authority.

Q. Who told you that?—A. I was told that.

Q. Who told you that?—A. Well, I do not know that I could say exactly.

By Mr. Lennox:

Q. My recollection is it was Senator Haydon and Senator Raymond to whom the money was paid?—A. Exactly.

Q. And your name was not mentioned?—A. My name was not mentioned.

Q. Why should that change your opinion?—A. Because I do not want to be the one who would say anything about campaign funds if I was questioned about them by this committee.

By the Chairman:

Q. Someone told you that you were going to be asked about campaign funds?—A. Yes. I had no knowledge whatever of campaign funds.

Q. And that is the reason you have changed your mind and appear here to-day?—A. That is one reason. And the second is I feel it is my duty to come here and not hold up this investigation pending legislation, or whatever might be necessary to determine my action as a Senator in not coming before the committee.

By Mr. White:

Q. Was it not just equally your duty at the time that Mr. Sweezey made his statement?—A. At that time I was just considering my own personal interest in the Beauharnois company. I was attacked personally and I felt, that, up to that time nothing had been said that could substantiate any of the charges that were made. They were not exactly charges, by Mr. Gardiner, and, therefore, nothing had happened that I could see that hurt the company in any way up to that time.

Hon. Mr. MACKENZIE: Let us get on with the evidence, Mr. Chairman.

By Mr. White:

Q. You are at present, Senator McDougald, the Chairman of the Board of the Beauharnois Power Corporation Limited, I understand?—A. Yes, sir.

Q. Elected on the 20th of December, 1929?—A. I think that was the date. I would not swear to it.

Q. And on the list of Managers of the Preferred Shareholders, that is, the Management Preferred Shareholders— —A. Yes, sir.

Q. I see you were elected to that Board on the 17th December, 1929?—A. Sometime about that date.

Q. And on the list of directors I see you were elected a director on the 20th December, 1929?—A. Sometime about that date.

Q. And in the Beauharnois Light, Heat & Power Co., I see you were elected a director on the 3rd of March, 1930?—A. That would be correct if you have it there, sir.

Q. And the Beauharnois Construction Company, a director on the same date, the 3rd of March, 1930?—A. They were all subsidiary companies of the Beauharnois Company.

Q. Yes, we are aware of that. And in the Beauharnois Land Company you appear to have been elected a director on the 25th of March, 1931?—A. I think that would be correct, sir.

Q. And the Beauharnois Transmission Company, a director on the same date, the 25th March, 1931?—A. Yes, sir.

Q. And you still hold these offices?—A. Yes, sir.

Q. Then you were appointed to the Senate first, I understand, on the 25th of June, 1926.—A. I was a near Senator for some months.

By the Chairman:

Q. What is that?—A. I was a near Senator only for some months. I was appointed to the Senate in, I think, the spring of 1925.

Q. By whom?—A. By the King government. There was a change of government before I was sworn in as a Senator. I did not go to the Senate until the following year.

By Mr. White:

Q. The following fall, was it not?—A. I cannot exactly say the date.

Q. The same year, in October?—A. I think not, sir. I think there was no session of Parliament until the following year, and I, therefore, was not sworn in.

Q. I understand you were sworn in in October.—A. I do not think so, sir, because there was no session of Parliament in that year. I may be wrong.

Hon. Mr. MACKENZIE: We have the commission here in evidence.

The WITNESS: I am only speaking from memory, but I think the session was not called until—

Mr. LENNOX: I took down the date here, December, 1929.

Hon. Mr. MACKENZIE: Oh, no, no.

Mr. LENNOX: I do not know what that refers to.

Mr. WHITE: That is the date of the dissolution of the Syndicate.

Hon. Mr. MACKENZIE: My recollection is the same as yours, Mr. White.

The WITNESS: My recollection is I went to the Senate Chamber in May of 1925 after I had been named by the Governor General. My parchment had not been signed, had not been finished by the Department of State in time to get the signature again of His Excellency, and when I appeared before the Senate door I was told that they had nothing there to show that I had been named to the Senate. Parliament then dissolved. Mr. Meighen went to the country. There was an election in the fall of that year, and the following spring, when the first session of Parliament was called, in 1926, I appeared before the Senate and was sworn in. That is from memory.

The CHAIRMAN: The date is the date of your second commission.

Mr. STARR: He cannot be sworn in unless Parliament is sitting.

By the Chairman:

Q. But your appointment was in October?—A. I was not a Senator until I was sworn in.

Hon. Mr. CANNON: He is summoned to the Senate and then he is sworn in when the session is on. A Senator is not appointed, he is summoned.

Hon. Mr. MACKENZIE: It is pretty obvious nowadays.

Mr. WHITE: Summoned to the Senate and summoned elsewhere.

The WITNESS: I cannot tell you, Mr. White, exactly the date when I was named to the Senate.

By Mr. White:

Q. Your counsel stated that you were summoned in October, 1926.

Mr. STARR: I did not. I merely read from the Canadian Manual that he was appointed in October, 1926. I did not say anything about him being summoned.

Mr. LENNOX: The Senate would not be sitting in October.

The WITNESS: No, sir.

By Mr. Lennox:

Q. I understood Mr. Starr to say that you were appointed and took the oath in June, 1926 or 1927, I am not sure which.—A. As a matter of interest, perhaps, I might just say this, that the original—I am not sure of the term—the Secretary of State issues a script—I do not know what it is called—which had been signed before the election of 1925 by the then Secretary of State and by His Excellency, Lord Byng. It had to come back again for his signature and that was not done.

By the Chairman:

Q. Before the dissolution?—A. No, sir. Then after that, in the fall of the year, after the election whenever it was, in September or October, the same document was sent to His Excellency the Governor General, Lord Byng, and was signed by him.

Q. That is in October.—A. That was following the election, whenever that was. I do not know the date.

Q. Mr. Lennox says that your first appointment—if it can be called an appointment—or summons, was made the night before Parliament dissolved?—A. No, sir.

Mr. FORSYTHE: You mean the night before the resignation of the government.

The WITNESS: It had been made some days before that, sir, but it did not reach the Secretary of State's Department with the signature of His Excellency and, therefore, when the government resigned, the King Government of the day, there was no Secretary of State to carry on, or no one in authority to put it through, and it was held up.

By Mr. White:

Q. The Canadian Parliamentary Guide says this,

"Honourable Wilfrid Laurier McDougald was called to the Senate June 25th, 1926, but commission having failed to issue was again called in October, 1926."

I assume that the Parliamentary Guide is correct?—A. I think that is correct, sir, but I was not sworn into the Senate until the following session of Parliament, which took place after Christmas.

Mr. LENNOX: The dissolution of the House was announced, if I remember correctly, at Richmond Hill in my riding. The election was in September.

Mr. WHITE: Yes, the 29th of September.

Mr. LENNOX: But the announcement was made at a meeting some time in June.

Mr. JONES: You are referring now to 1925. This was 1926, Mr. Lennox, I think. It was in 1925 that Mr. Mackenzie King made the announcement in your riding. This was after the hectic session of 1926.

The WITNESS: That is right, sir.

By Mr. White:

Q. Then you are a member, or were a member rather of the National Advisory Committee on the St. Lawrence Waterway?—A. I was, sir, I am not now. There is no committee.

Q. The commission has expired, has it?—A. Yes, sir.

Mr. WHITE: I would like to put in the order in council appointing that commission, or committee rather. It is dated the 7th of May, 1924, and is P.C. 779 of that year, and reads as follows:

The Committee of the Privy Council have had before them a Report, dated 7th May, 1924, from the Secretary of State for External affairs, submitting that the question of improving the navigation on the St. Lawrence Waterway so as to provide access to the Great Lakes for maritime commerce, is one of considerable difficulty and complication, and its right decision may be of the highest possible importance to Canada. The project necessarily involves collaboration with the United States of America and the expenditure of very large sums of money. The minutest examination of the problem in all its aspects, financial, economic, technical and international, is not only justified but essential. The International Joint Commission has held hearings on the subject in both Canada and the United States, and has submitted a most elaborate and valuable report; the engineering problems involved have already been the subject of enquiry and report by an international board of engineers, and are to be further investigated by another such Board; other technical connected questions are in course of being studied by an interdepartmental committee.

The Minister is of the opinion that it would be in the public interest to constitute a National Advisory Committee to consider generally whether or not the project would, if completed, be beneficial to Canada, whether the

benefits which might accrue and the pecuniary returns, direct or indirect, which may be anticipated from it are such as to counterbalance its disadvantages, if any, whether Your Excellency should indicate a readiness to enter into discussions with the United States of America looking towards the negotiation of a treaty for the carrying out of the necessary works, and what should be the character of the stipulation which any such treaty should contain. The Minister accordingly recommends that a National Advisory Committee be constituted for the purposes aforesaid, the Honourable George Perry Graham, Minister of Railways and Canals, to be Chairman thereof, and the following to be its members:

Thomas Ahearn, Ottawa, Ont.

Honourable Walter Edward Foster, St. John, N.B.

Beaudry Leman, B.Sc., C.E., Montreal, P.Q.

Edward D. Martin, Winnipeg, Man.

Dr. Wilfrid Laurier McDougald, Montreal, P.Q.

Honourable Sir Clifford Sifton, K.C.M.G., K.C., Toronto, Ont.

Major-General John William Stewart, C.B., C.M.G., Vancouver, B.C.

Honourable Adélard Turgeon, C.M.G., C.V.O., Quebec, P.Q.

The Committee concur in the foregoing recommendation and submit the same for approval.

E. J. LEMAIRE,

Clerk of the Privy Council.

Exhibit No. 113, order in council No. 779.

By Mr. White:

Q. Then having been appointed in 1924 to that committee, I understand you acted as a committee man?—A. Yes.

Q. And at that time you were occupying a position in connection with the Montreal Harbour Board?—A. I was Chairman of the Montreal Harbour Board at that time, and that was why I was named to the committee.

Q. One of the reasons?—A. The principal reason, sir.

Q. We will not argue that. You and I might not agree. During what time did you act as Chairman of the Montreal Harbour Board?—A. I was Chairman of the Montreal Harbour Board from 1922—I am not sure of the exact date—until some time in 1925, when I was named to the Senate and resigned from the Montreal Harbour Board.

Q. Who named you as Chairman of the Montreal Harbour Board?—A. It was an order in council by the King Government; I cannot tell you who did it. Then I was reappointed.

Q. Just a moment—A. I am trying to tell you that when I was named to the Senate I resigned as Chairman of the Montreal Harbour Board, and after the elections of 1926 I was asked—and I think I can state here that it was at the request of the shipping people of Montreal—by the Government to resume my duties as Chairman of the Montreal Harbour Board without salary; and I agreed to do so thinking that I would be of some service to the country.

Q. Are you still Chairman of the Montreal Harbour Board?—A. No, sir. After the elections of the 28th July, 1930, I immediately resigned.

Q. So we may take it that with the exception of these few months, you were Chairman of the Montreal Harbour Board from 1922 until 1928? (No answer.)

The CHAIRMAN: "1928"?

Mr. WHITE: I mean the 28th July, 1930, Mr. Chairman.

By the Chairman:

Q. On what date did you send in your resignation?—A. Shortly after the elections. In accordance with the usual practice and propriety, as I saw it, I sent my resignation to the Hon. R. B. Bennett through his Minister, the Minister of Marine.

By Mr. White:

Q. And you told us you accepted the position without salary in view of the request of the shipping interests?—A. I could not accept two salaries from the Government, and therefore I had to accept it without salary.

Q. I am not worrying about that phase of it. The point that I wish to emphasize in your evidence, if it is properly emphasizable, is that you accepted the position of Chairman of the Montreal Harbour Board without salary because you thought you could be of some use to the country in the occupation and exercise of that position?—A. Correct.

Q. I may take it then that you did this from a sense of your responsibility as a citizen of Canada?—A. Correct, sir.

Q. And having regard to the high privileges to which those of us who enjoy that citizenship are entitled?—A. Quite correct.

Q. And of course, having regard to those facts, your first duty would be to Canada?—A. Correct.

Q. Now, the Montreal Harbour Board has to do with what?—A. Well, I would say my conception of the duties of the Chairman of the Board is that they require him to have regard to everything that pertains to the trade and commerce of this country, because more than 33 per cent of the trade and commerce of Canada—speaking now about export and import trade—passes through the port and harbour of Montreal. Therefore it is the duty of the Chairman and his Board to make a study of everything that may affect the movement of commodities that come in and out of Montreal; and at that time the waterways scheme was the chief question of importance that had to be considered.

Q. When you say in and out of Montreal, you mean from inland points towards Montreal?—A. I mean import and export also from the Great Lakes to Montreal.

Q. Which naturally involves a study of the St. Lawrence waterways problems?—A. Absolutely.

Q. And therefore you were, as perhaps you have intimated, specially qualified to act on this National Advisory Committee?—A. Not so much by myself but with the Harbour Staff, whose duty it is to make a study of matters of that kind. I considered they were well informed and were in a better position—the controversy at the time, if I may say so, that was carried on by all the newspapers, and principally the newspapers of Montreal and the Province of Quebec indicated that they were against the deepening of the St. Lawrence, and the argument they put up was that the port of Montreal would be adversely affected by the deepening of the St. Lawrence waterway because shipping that at that time stopped at Montreal would go on through the Great Lakes to your own City of Toronto, for instance.

Q. Without transshipment?—A. With transshipment; that there would be through traffic which would be ruinous to the port and harbour of Montreal. That was not the opinion of my predecessors in office when I went onto the Harbour Board, nor the opinion of the staff, and the port authority, I frankly say here, is in a much better position to judge of matters of that kind than any other body; and when I was named to the National Advisory Committee that is what the government of the day had in mind and also what I had in mind in accepting the position.

Q. In other words, you occupied a specially advantageous position because you had at your disposal the information and data which the officers of the Montreal Harbour Board possessed?—A. Quite so.

Q. And having a high regard for the advantageous position in which you found yourself I suppose it was equally so that you would consider that you must be very careful about how you would exercise your judgment and influence?—A. I have always tried to do that.

Q. The answer could be made categorical if you desired to make it?—A. Well, I say definitely so.

Q. Then you also had, somewhat early in your career as a member of or Chairman of the Montreal Harbour Board, become interested in the water power which might be developed between Lake St. Francis and Lake St. Louis, or what is called the Soulanges section of the St. Lawrence River?—A. I would not say I had become interested.

Q. We are told by a gentleman who is now closely associated with the company of the Board of which you are Chairman, namely, Mr. Henry, that he and you conferred about this matter as early as 1923?—A. Yes.

Q. And that you financed his investigations?—A. That is correct.

Q. And that you retained Mr. McRae, an engineer of Ottawa— —A. I did not retain him.

Q. That he was retained?—A. He was retained.

Q. And paid by you?—A. With my money, yes.

Q. With your money. And that you, in connection with Mr. Henry, caused to be incorporated a company in the 15th July, 1924, known as the Sterling Industrial Corporation, Limited?—A. I did not cause it to be formed.

Q. That you paid the fees in connection with its formation?—A. Now, Mr. White, you are looking for information about that, are you not? Mr. Chairman, may I tell you exactly what happened?

The CHAIRMAN: Just answer the questions, Mr. McDougald, and you will get along all right.

By Mr. White:

Q. I am asking you if you paid the legal fees in connection with the formation of that company?—A. I could not say directly that I did, no.

Q. Will you say you did not?—A. I say I agreed to finance Mr. Henry to the extent of \$10,000 to make a survey, study and report on the Soulanges district.

Q. Are you expecting us to understand you to say that you did not know the Sterling Industrial Corporation, Limited was being formed?—A. I did not know. I gave Mr. Henry carte blanche as to what he should do, and agreed to finance it up to \$10,000.

Q. Then we may take it that at the time the Sterling Industrial Corporation, Limited was formed you did not know he was forming it?—A. I did not know what his steps were at all.

Q. Please answer the question. Do you say you did not know it was being formed?—A. I did not know what steps were being taken.

Q. Did you know the Sterling Industrial Corporation, Limited was being formed?—A. When Mr. Henry came to me first—

By the Chairman:

Q. You are deliberately avoiding the question?—A. I am not.

Q. The question is so simple?—A. I knew that some company was being formed.

Hon. Mr. MACKENZIE: I think you should be fair to the witness.

The WITNESS: When Mr. Henry came to me he suggested that it was necessary, perhaps, before he could make application to the Department at Ottawa to have a company. I said to him that I had a charter which was inactive, and that he might use that.

By Mr. White:

Q. What was that charter?—A. The Superior Sales Company, if I remember rightly. I had agreed to finance him up to \$10,000 in his investigation and in his report, and later on he came to me and told me that when the charter of the Superior Sales Company was looked into it was found that it was not broad enough to cover what he wanted. That was months before I went on the National Advisory Committee. He said to me that the firm of McGiverin and Haydon, who were acting in the matter, said they would have to get a new charter, and I told him that I would finance it up to \$10,000, and if they needed a charter to go ahead and get it. I was not on the National Advisory Committee then, and I did not know that the charter was through until after I had been named to the National Advisory Committee.

Q. And then I suppose you resigned?—A. No, but I told Mr. Henry I was not interested. He came to me with a letter in reply to an application that the company had made to the Department of Public Works and told me that the application had been refused because the matter had been referred to a body of engineers, and that nothing could be done in connection with the matter, and I said: "I am very glad, because I cannot be interested in that any longer."

Q. That was your attitude?—A. Yes.

Q. That you could not be interested any longer, and you considered that your interest had ceased because of the refusal of the department?—A. That is not quite correct: that I could not be interested as long as I was sitting on the National Advisory Committee, and until the report was made by that body.

Q. You considered the application, because of what had been reported to you by Mr. Henry, was useless?—A. Yes.

By Mr. Lennox:

Q. Were McGiverin and Haydon your solicitors?—A. They were the solicitors Mr. Henry employed.

Q. Had they been yours?—A. No, not my personal solicitors.

By Mr. White:

Q. I may point out to you, Senator McDougald, that you were appointed to the National Advisory Committee on the 7th May, 1924, and the charter of the Sterling Industrial Corporation, Limited and the application to the Department of Railways and Canals are dated the 5th July of the same year?—A. And?

Q. It is your turn to speak.—A. I had no knowledge of the application being made or of the application being rejected until after I was on the National Advisory Committee.

Q. You have just told us that Mr. Henry had told you before you accepted the position on the National Advisory Committee—A. I did not say that.

Q. Listen, please—that before you accepted the position on the National Advisory Committee or Board, Mr. Henry had told you that nothing could be done because of the report of the engineers?—A. No, I did not say that.

Q. What did you say?—A. I said he told me he would have to have a new charter because the Superior Sales Company charter was not broad enough. That was weeks or months before I was on the National Advisory Board—

Q. I am not referring to that—

Mr. MONTGOMERY: Let him finish his answer.

Mr. WHITE: Proceed.—A. I authorized him to go ahead and get the charter and said I would still back him up to the extent of \$10,000. That was before I went on the National Advisory Committee. I heard nothing more from Mr. Henry until he came to me after I was on the Board and told me that the charter had been obtained but that it had been delayed through the lawyers—a very common thing to happen—although he had authorized them before I went on the National Advisory Board to go ahead and secure the charter; that it was not ready until after I had gone on the Board. I say I did not know that he had his charter or had made the application until he came to me after he had the letter from the Department of Public Works saying that the application could not be acted upon because there had been a body of engineers appointed to investigate the whole river—that nothing could be done.

Q. The fact remains that at the time that the charter was obtained and application was made you were a member of the advisory committee?—A. I did not know it at that time. I know it is correct. I did not know it at the time.

Q. And you were Chairman of the Montreal Harbour Commission?—A. Yes.

Q. In other words, while you were Chairman of the Montreal Harbour Commission you authorized Mr. Henry to form a company in which you were interested, and to make an application on behalf of that company for the development of a portion at least of the Soulanges section of the St. Lawrence River?—A. That is correct; but that would have no effect on my position as Chairman of the Montreal Harbour Board, certainly not. There was nothing in the Order in Council appointing me to that Harbour Commission that prohibited me taking part in any commercial enterprise.

By Mr. Lennox:

Q. It would not have any effect upon your position in the National Advisory Committee?—A. No, sir; and for this reason: when I found out that the charter had been sent up, it did come into my mind that perhaps it might be questioned by a body such as this, and I went to Senator Haydon and asked his opinion. He said his personal view was that Mr. Beaudry Leman, Director of the Shawinigan Power Company, Honourable Thomas Ahern, President, Ottawa General Electric Company, Honourable Mr. Turgeon, Director of the Quebec Light Heat, and Power Company, Honourable Clifford Sifton who is well known to be interested in the Georgian Bay Canal—he said, “why can’t you go in this committee.”

By Mr. White:

Q. None of these gentlemen, so far as you have told us, were interested in the Soulanges section of the St. Lawrence River?—A. It does not matter. I do not know whether they were or not. I could not tell you whether any of them were. I have no direct knowledge of them. I had thought that the Shawinigan Power Company did have a development in that section of the river.

The CHAIRMAN: Give a direct answer.

WITNESS: That is a direct answer.

By Mr. White:

Q. As a matter of fact, it was a very fortunate application as it turned out—the application of the Sterling Company of the 5th July, 1924?—A. That is a matter of opinion.

Q. A matter of opinion?—A. Yes—the value of it, or how it turned out—it had nothing to do with it at the time.

Mr. LENNOX: \$550 a share.

WITNESS: I do not think that is quite right.

Mr. WHITE: No ----

By Mr. White:

Q. Then, the Sterling Company was, we are told, formed on the 5th of July, 1924, and you ultimately received—I suggest to you—2,000 units in the Beauharnois Power Syndicate for the shares of that company; what do you say?—A. I received 2,000 shares of which I gave 1,000 to Mr. R. A. C. Henry.

Q. That was by prearrangement was it not?—A. Not until the time the arrangement was made with the Beauharnois Company. There was no arrangement with Mr. Henry, or no arrangement with him at the time the application was made.

Q. And you received for these 2,000 shares a cheque from the Marquette Investment Company for \$700,000 did you not?—A. No, sir; not for those shares.

What?—A. I received a cheque for those shares—\$300,000.

Q. Oh; yes, I beg your pardon. For those shares and for 3,200 other shares which you had purchased?—A. Correct.

Q. Did you put up any more money than \$10,000 in connection with the original arrangement with Mr. Henry?—A. To the best of my knowledge, no.

Q. So that your total investment would be \$30,000, which you paid for 800 shares, \$160,000 which you paid for 1,600 shares in the second, or Beauharnois Power Syndicate, and \$10,000, a total of \$200,000?—A. Would you please repeat that?

Q. Your total investment in the Beauharnois Syndicate would be the \$10,000 which you spent in connection with the Henry investigation and the formation of the Sterling Company and its application to the 5th of July, 1924, \$30,000 which you paid for 800 units in the first syndicate called the Beauharnois Syndicate, and \$160,000 in the second or Beauharnois Power Syndicate?—A. That is correct; excepting that \$10,000 should not be included in my opinion, in the Beauharnois Power Corporation, because it had nothing to do with it at the time.

Q. Except that the 2,000 units which you got for the shares of the Sterling Company had cost you about \$10,000, and I was giving you credit for that?—A. That is right.

Q. So that your total investment was \$200,000.

Mr. STARR: Where do you get your \$30,000?

Mr. WHITE: For the first 800 shares.

Mr. STARR: That is what Mr. Sifton paid.

WITNESS: That is correct; \$190,000—they came to me—

By Mr. White:

Q. Plus the \$10,000?—A. Plus the \$10,000.

Q. That is not quite correct, because at the time of the dissolution of the syndicate on the 17th of December, 1929, you still owed \$80,000 on call on the second subscription—on the subscription of the Beauharnois Power Syndicate for 1,600 part interests?—A. Now, I am not in a position to confirm that.

Q. We will figure it out for you?—A. Mr. Griffith could tell you better than I could.

Q. We have had Mr. Griffith. At least, they were in the name of certain persons for you?—A. Yes.

Q. There were no part interests in your name on the 17th of December, 1929?—A. No, sir.

Q. They were all in the name of other persons for you?—A. One other person.

Q. Who?—A. John P. Ebbs.

Q. Of those 5,200, 1,600 were in respect of the original investment of \$30,000?—A. Correct.

Q. 2,000 came from the Sterling transaction?—A. Yes.

Q. And 3,200—

Mr. STARR: That makes 3,200.

By Mr. White:

Q. 1,600 for the \$160,000, and then there were 400 shares which you purchased?—A. There were 3,200 in all.

Q. No, 5,200?—A. I mean in addition to the Sterling.

Q. And the 2,000?—A. Yes.

Q. That would be the original 1,600 that were bought—that were purchased—I should not say you bought them, they were purchased by Mr. Clare Moyer—and 1,600—which became 1,600—1,600 which he subsequently purchased in the second syndicate and which were turned over to Mr. Ebbs, and 2,000 which came from the Sterling, which makes 5,200?—A. That is correct.

Q. And you received from them—

The CHAIRMAN: The amount paid for these is \$200,000; is that correct?

Mr. WHITE: No, the amount paid—

WITNESS: I do not think it is fair to confuse those two items. I paid \$190,000 into the syndicate for 3,200 part interests, in the Beauharnois Company. Now, Mr. White is assuming that \$10,000 which I put up to finance Mr. Henry in 1927, or whenever it was started, should be applied to that. It had nothing to do with the Beauharnois Company when it was started.

By Mr. Lennox:

Q. What did you get for the \$10,000 that you supplied Mr. Henry?—A. What did I get for it?

Q. Yes?—A. Well, as it eventually worked out from those Sterling shares, I got \$300,000.

Q. You got part units—

By Mr. White:

Q. You got 1,000 part interests?—A. I got 1,000 part interests.

The CHAIRMAN: And Mr. Henry got 1,000.

WITNESS: Yes, Mr. Henry got 1,000.

By Mr. White:

Q. And then the other part interests—A. Were afterwards sold—

Q. You got for those \$150 each in cash?—A. Yes.

Q. Which would be \$150,000?—A. Yes.

Q. And—A. 80,000 shares.

Q. That is class "A" shares?

Mr. STARR: Of which half went to Mr. Henry.

Mr. WHITE: No.

WITNESS: Yes, sir; 40,000.

By Mr. White:

Q. Mr. Henry says they have not gone to him yet?—A. That is a personal matter between Mr. Henry and myself.

Q. But altogether you received from the syndicate, I suggest to you, on the 17th December, on or about the 17th December, 1929, a cheque for \$700,000 and certificates for 208,000 class "A" shares, and that the \$700,000 was made up of \$780,000 which would be for 5,200 shares at \$150 per share, less \$80,000?—A. I could not say as to the accuracy of that. I presume that is correct.

Q. You had not paid in full for the second lot?—A. In making my calculation I always deducted \$190,000 from the \$780,000.

Q. That is the same thing?—A. Yes.

Q. It arrives at the same figure only I am doing it the other way around. The result is the same. That is for \$190,000 and out of that you spent—I am not seeking to pin you down to an admission that the \$10,000 was spent in any particular way—or that you had any particular liability in connection with it, but for the total expenditure of \$20,000 you got \$780,000, and 208,000 class "A" shares?—A. That is right.

Q. And none, as you have told us, I think, of these interests were in your name on the 17th of December, 1929?—A. They were all in the name of John Ebbs.

Q. And it was by his direction that you obtained the cheque for \$700,000 and the shares?—A. On instructions from me.

Q. On instruction from you; and by his actual written directions?—A. Yes, correct.

Q. It being on the books of the company?—A. He was acting as my agent.

Q. When did Mr. Ebbs start to act for you?—A. I think about the 1st October, 1928.

Q. Because his firm had acted for you before that?—A. They had acted for the Sterling Company.

Q. Well, are you making a distinction?—A. Yes, I would make a decided distinction, because Mr. Henry was the one who made all the arrangements with the firm of McGiverin, Haydon and Ebbs for everything that took place in connection with the Sterling Corporation.

Q. Without consulting you?—A. In detail, no.

Q. At all?—A. Not to my knowledge.

Q. Will you say that he did not tell you that McGiverin, Haydon and Ebbs were going to get this started for you?—A. I think he might have told me, and possibly did tell me, that he was making an effort to do so, but I had nothing to do with that part of it; he carried out all arrangements.

Q. You were satisfied?—A. It did not concern me.

Q. You were satisfied?—A. Quite.

By the Chairman:

Q. When did he tell you that, Senator?—A. I cannot fix the date, Mr. Chairman, I presume it was—we had been negotiating for nearly a year. Mr. Henry came to me when I was on the harbour in 1922, sometime in 1922. He was the chairman with a grain committee, that was long——

Q. I am not concerned with the details. Can you fix the date?—A. No, I cannot fix the date. It would be some time between 1922 and the time this charter was filed.

Q. When did you pay Henry \$10,000?—A. I do not think the money was paid to Henry at all. I cannot tell you how it was paid now.

Q. You say you do not think the money was paid?—A. Yes, but I cannot tell you how it was paid, because I have no recollection how it was paid at the time.

Q. It was paid?—A. Yes, it was paid, the engineering fees, but I am not positive whether it was paid through Haydon's office or paid directly through my office to McRae, or just exactly how it was paid.

Q. Who paid the money?—A. It was my money, but I cannot tell you now how it was paid, whether it was through one of my companies or paid by personal cheque. I have no means of knowing now.

Q. Will you look it up and find it out?—A. No, it would be impossible for me now to find out.

Q. Why?—A. Because the companies I was operating at the time have all since gone out of business, and I think it would be very difficult for me to find it out.

Q. You have the advances that you made to Henry?—A. I will make this statement positive. I paid the money either directly or indirectly.

Q. If you paid the money personally to Henry, you would have the cheque returned?—A. I would not say I paid directly to Henry. I do not think that I can say—all I can say is that I did agree with Henry to advance \$10,000 on work that he was doing or investigations that he was making, and I did that. Now, I cannot say positively how it was done.

Q. Can you remember whether it was paid in one sum?—A. I do not, because it was done at different times, the engineering was done at one time, and I suppose he was paid at another time. I think perhaps, the firm of McGiverin, Haydon and Ebbs might be able to say how it was paid.

Q. Who paid the cheque that went to the Secretary of State for Canada for the Sterling Industrial Company?—A. I cannot tell you that. I have no knowledge of that whatever. I can say positively that after that period, the period in between the time I went on the board of the National Advisory Committee and Mr. Henry coming to me in the summer of 1928 I had forgotten all about the Sterling, it never even came into my head.

By Mr. White:

Q. Then, I understand that in 1929, October, you had some further transactions in regard to the part interests in the Beauharnois power syndicate?—A. In what year, sir?

Q. In October, 1929; I see an entry here indicating that Mr. H. B. Griffith transferred to you one thousand shares, and that Mr. Dufresne transferred one thousand shares?—A. Yes.

Q. Whose shares were they?—A. They were shares of Mr. Dufresne.

Q. Did you buy them?—A. Yes, sir.

Q. For how much?—A. In July of that year, 1931, about the 31st of July, the date in my mind, Mr. Sweezey came to me sometime about that period when he was having first, I do not know exactly what to call it, his trouble with Mr. Jones, and Mr. Jones offered either to buy Mr. Sweezey or have Mr. Sweezey buy him out. He came to me and asked me if I would help in the taking out of those 2,000 part interest, one thousand in the name of Mr. Dufresne, which he owned and had paid for, for which I suppose the record in the book will show that, and the other one held by Mr. Griffith for Mr. Simard. I was asked by Mr. Griffith, by Mr. Sweezey as I say, if I would help in the financing of the units that were outstanding, and on the 31st July I got an option from Mr. Dufresne and from Mr. Simard for those two thousand interests. I paid \$100,000 in bonds, and I put up \$100,000 in bonds for the option, and I think, if I remember rightly, the option was for three months, and when it came due, I took up the bonds, I took up the 2,000 part interests, gave each of them a cheque for \$500,000.

Q. Paid a million dollars?—A. Yes, sir.

Q. For 2,000 shares?—A. Yes.

Q. At a rate of 500 a share part interest?—A. That would be about correct, yes sir.

Q. That, I understand, was about the 1st of October?—A. Yes, sir.

Q. And then, on the 9th October, you transferred those shares to the Montreal Trust Company?—A. Yes.

Q. I do not want to enquire into your affairs unduly, but may I ask if that was a financing matter?—A. Yes, that was a financing matter.

Q. Then, on the 17th December you received—

The CHAIRMAN: What year?

Mr. WHITE: 1929.

Q. —for this account about \$150 per unit, and 40 shares of class A stock? —A. The Montreal Trust Company received it.

Q. Did you sell to them?—A. They were—that was for financing, and they got whatever came out of it.

Q. You did not get any profit on that?—A. No, sir, I did not get a dollar profit.

Q. The Montreal Trust Company?—A. They were financing.

Q. Were you acting for them in this transaction?—A. They were acting for me.

Q. You should have got the profit?—A. I did not get the profit, it went in directly to the Montreal Trust Company.

Q. We have your word that you made no profit on this transaction?—

A. I made no profit whatever, not one single dollar.

By the Chairman:

Q. Who did make the profit?—A. I cannot tell you sir.

Mr. MONTGOMERY: It was at the same price.

The WITNESS: The same price, exactly. I was helping Mr. Sweezey to finance what he considered, and what I considered a critical situation in the company, and I undertook an obligation of one million dollars, and for that I put up at the time, it was an option, I put up 100,000 victory bonds, 50,000 of the amount mentioned—

By Mr. White:

Q. That was in October, 1929?—A. The option was on the 31st July, 1929.

Q. On the 17th December, 1929, you took down \$700,000?—A. I had it in my name, or Ebbs' name, prior to that—

Q. Out of this company?—A. Nothing to do whatever—

Q. You had to come to the rescue to the extent of \$1,000,000?—A. Yes, that is quite simple. Up to that time there had been no contract signed, I think I am correct in saying, with either the Hydro company of Ontario, or the Montreal Light, Heat and Power Company. However, after these contracts were signed and when these shares became of the value that they were, I can say in my judgment when they were sold to, or when Mr. Sweezey bought them, they were not worth \$500. I could have sold my units after, but I was interested in staying with the company and helping to work out what I considered something of national importance to Canada.

Q. And of considerable importance to Senator McDougald?—A. No one ever does much of anything without taking some consideration. There is no crime, I do not think, in making money.

Q. Now, I suppose, we will put it this way; your first connection with Mr. Ebbs in regard to anything in connection with Beauharnois was when?—A. On or about October 1st, 1928?

Q. Was it not before that?—A. No sir, never talked to Mr. Ebbs before that.

Q. Did you have some sort of a deal with Mr. Winfield Sifton?—A. Yes.

Q. When was that?—A. That was around the end of May, 1928.

Q. And what was that deal?—A. Mr. Sifton owned two 3,200 part interests in the Beauharnois Company. He had bought them; he had bought the first 800 shares of the syndicate when it came out in April of that year. I had been offered the same shares. Mr. Sifton, at the time, had wanted me to buy the shares.

Q. The identical shares?—A. The identical shares, that he bought; and at that time I did not feel that I could go into the Beauharnois company. I was not familiar with anything about it, and I had no desire to go in, and I said that to Mr. Sifton. He has asked me on many occasions to come in, as I had already been asked on many occasions, or on one or two occasions by Mr. Sweezey. At that time I did not feel I wanted to go in for my own personal reasons. I was not satisfied with the project at the time. I was not sure just how it would turn out.

Q. Nobody was?—A. Nobody was. It was an absolute gamble at the time.

Q. Yes. Come on down to this deal?—A. I will have to start at the beginning of that.

Q. Anywhere you like?—A. If I may. My association with Mr. Sifton arose out of my association with the National Advisory Board, of which his father was a member. He acted at that time as secretary to his father the Hon. Clifford Sifton, who was very deaf, and he was around nearly all the time during that period. I got to know him in that way, and he never said a word to me about the Beauharnois company nor no one else did while I was sitting on the board of the National committee, but after the report was made—

By the Chairman:

Q. What was the date of the report, by the way?

Mr. WHITE: I have it here.

The WITNESS: I think it was the 14th January, 1928, if I am correct—

Mr. WHITE: The 11th of January.

The WITNESS: 11th of January, 1928. Up to that time I had never discussed Beauharnois stock with anybody, having regard to being associated with it. After that time he came to me, wanted to know if I would meet Mr. Sweezey, and I did meet Mr. Sweezey, at a meeting in Montreal, on one occasion that I can recall, and both of them talked to me about taking an interest in the Beauharnois syndicate. I told them I had not studied it, and I did not know anything about it, and I was not satisfied to purchase, and I had no inclination to go into it. On various occasions I met Mr. Sifton after that, and each time he pressed me to come in. Finally he came to Montreal, and I can fix the date fairly correctly, because I was laid up at my house; I was ill at my house, and he telephoned and asked if he could come up to see me, and it was in March sometime—

By the Chairman:

Q. What year?—A. 1928.

Q. In March, 1928?—A. He came up to my house and told me that these 800 part interests in the Beauharnois syndicate were to be allocated to somebody, and he was very anxious for me to take it. He said that the first syndicate was closed, I think, on the 4th April, 1928, and that it had to be taken up by that period or they would go to somebody else. If I did not want them, somebody else could get them. I told him again I was not interested. I did not want to take them, and he said to me then:

I am not going to allow somebody else to take the shares; I will take them for myself if necessary; I want to see that they get into the right hands. I will take them myself. I do not want to take them up as a Sifton, but I will take them up and take care of it somewhere.

I did not see him again until, I think, about two weeks later I was in New York, and I met him there, and he again told me that he had taken up these shares, or was going to take them up. I went after to Bermuda. That is how I can recall exactly what happened. I went to Bermuda that year with my family.

By Mr. White:

Q. What year was that?—A. In 1928, April, 1928. In April, 1928.

Q. You went with your family?—A. I went with my family. I came back from Bermuda around the 17th of April. I came directly up to Ottawa here, and if my memory is correct, on the 18th April, two articles appeared in the—one in the Globe and one in the Mail and Empire; and Mr. Sifton came to my room in the Chateau hotel and he had the articles with him. I had not seen them myself up to that time. He pointed out to me that they were a reflection on his father, on the Hon. Mr. Ahearn and on myself, and as a member of the Senate body that he thought it was my duty to get up and refute the rumours, because in his judgment it would set back the development of the St. Lawrence waterways for perhaps years. I was not inclined to do it myself at first, but finally he persuaded—he didn't persuade me exactly, but I thought, after discussing it with him and knowing him, that I should do it. I had no interest in the Beauharnois company at that time, none whatever, nor did he reveal to me then that he had.

Q. What do you mean by Beauharnois company?—A. The Beauharnois Light, Heat and Power Company, or anything whatever connected with it.

Q. Something you had an interest in, would soon be connected?—A. No, nothing.

Q. I suggest the Sterling Company?—A. No, sir, never had any connection with that—

Q. It was soon to be connected with it?—A. No, sir.

Q. It was soon to sell out to it?—A. No, sir.

Q. Did soon sell it?—A. No, sir.

Q. Did sell it?—A. Not for a year end a half after; not for a year and a half after.

By the Chairman:

Q. What was the date of your sale of the Sterling Industrial Corporation?—A. In July, I think, July 9, 1929.

Q. When did you lose interest in the Sterling Industrial Corporation, what year?—A. I had lost interest in that from the date that Mr. Henry told me that the application to the Department of Public Works had been refused on the grounds that there had been an engineering body named to investigate the whole thing, and that no action had been taken.

Q. What year was your application made for the Sterling Industrial Corporation?

Mr. WHITE: July 5, 1924, Mr. Chairman.

By the Chairman:

Q. And I assume that Mr. Henry advised you on or about July 5, 1924, that the application had been refused?—A. Somewhere around that date.

Q. And you lost interest entirely in the Sterling Industrial Corporation?—A. Yes, sir, quite. I had forgotten all about it, as a matter of fact.

Q. And when did your interest revive?—A. Mr. Chairman, may I point—

Q. Let us get on. When did your interest revive in the Sterling Industrial Corporation?—A. It revived in the latter part of the summer of 1928.

Q. Why did it revive?—A. Because Mr. Henry came to me and told me that he had been in touch with some financial people in New York, and that he could carry on the company whether I was interested or not. He said he thought there were great possibilities there. Up to that time, to my knowledge, he never even told me to inquire from the Beauharnois Company nor did I to him about it except in a general way.

Q. What was that date?—A. The late summer of 1928. He told me he had been to New York and had seen the Dillon-Reid people there and they were ready to finance him on any kind of a power scheme that he could bring to them.

Q. What was your attitude with respect to that?—A. I told him to go very carefully about that, and I mentioned about the Beauharnois Company—

Q. At that time you were in the Beauharnois Company?—A. I was in it, but he did not know that.

Q. When did you first associate yourself with the Beauharnois Company?—A. In about the middle of May, 1928. I took over the first interest from Sifton around the 18th of May, 1928.

By Mr. White:

Q. How much did you pay him?—A. \$30,000.

By the Chairman:

Q. And was it after this that your interest revived in the Sterling Corporation?—A. Yes, sir.

Q. How long after?—A. About three months. Mr. Henry came to me and wanted to know what I was going to do about the Sterling Corporation. All the engineering reports were in then—

Q. What engineering reports?—A. On the St. Lawrence Waterway. The International Board had been dissolved, and he came to me and wanted to know what he should do or what steps he should take to continue the Sterling Corporation. Then he volunteered the information that he had been to New York and had seen the Dillon-Reid people and they were quite prepared to finance him in bringing to their attention a scheme which would prove feasible to them.

Q. Well, you had already seen the blueprint that was filed with the application of the Sterling Industrial Corporation?—A. No, I never saw it.

Q. Never saw it?—A. Never saw it; I never saw it.

Q. Then what did you say to Henry when he spoke to you about it?—A. I had in mind—right here I may say I always had in mind that Mr. Henry was a very valuable man. I would not have financed him if I had not thought so, and I said to him:

I would not go ahead with any proposition of that kind until you find out what is going to happen to this Beauharnois Company.

Q. Let me get that right. Did you say to Henry:

You had not better do anything with the Sterling Industrial until we see what is going to happen with the Sweezey-Beauharnois layout?

—A. Right.

Q. And I assume that if the Sweezey-Beauharnois layout did not materialize—and you were interested in it at the time?—A. Yes.

Q. Then you were open to go back with Henry and pursue some effort on behalf of the Sterling Industrial?—A. No, sir, that was not my idea at all. My idea was—

Q. Why did you say to Henry:

Wait until we see what happens to Beauharnois?

—A. Because I did not know exactly what would happen. I did not want Mr. Henry to go off and associate himself with any other concern that might be a hindrance, or might block or hold up the development of the Beauharnois Company's Project if their project was a right one, and if he could be taken care of in some way. And I say that knowing exactly what I say. I knew that he had to be reckoned with and I was delaying or trying to delay. I had in mind at the time that some deal could be made with the Beauharnois group and Mr. Sweezey that would satisfy Mr. Henry.

Q. You say you knew that Mr. Henry had to be taken care of?—A. I did not say that I would have to be taken care of.

Q. You knew that Mr. Henry would have to be taken care of?—A. That was my feeling exactly.

Q. And that was by reason of Henry using your money and having put in an application incorporating the Sterling Industrial Corporation and applying for its charter at that time?—A. Right.

Q. In which you were interested on an equal basis with Henry?—A. There was no understating at all between Mr. Henry and myself as to what the division would be at that time. We had never even discussed it. I had put up the money, financed him, but I had no understanding with him whatever as to the division of profits.

Q. The fact is that at some time or other you put up the money, and an application was made on behalf of the Sterling Industrial Corporation, and you knew that if anything came of it that you and Henry would be in on it on some basis?—A. Quite So.

Q. And then you always knew that if anyone else took up this Beauharnois development that Henry would have to be taken care of?—A. I always had that in mind, of course.

Q. And Henry was in no stronger position than you were as far as being taken care of by reason of the application of the Sterling Industrial?—A. Excepting that Mr. Henry, in my opinion, had great engineering ability. He knew that section of the river as I think no one else knew it.

Q. Do you suggest that Henry was in a stronger position than you were with respect to the necessity of being taken care of in connection with the Sterling Industrial?—A. At the time I considered he was in a much stronger position than I was if he could get a strong group to finance him.

Q. Through the agency of his application on behalf of the Sterling Industrial?—A. Yes, sir.

Q. Of which you were the— —A. The original backer.

Q. Yes, the original backer, and never became anything else?—A. No.

Q. So that I suggest to you that you and Henry both had to be taken care of, by reason of your connection with the Sterling Industrial?—A. That is quite so, but Mr. Henry had associated himself with a financial group or if he had associated himself with a financial group or any other power company, the natural thing would be for him to come to me and say "You put \$10,000 in that company, I want you to let me have all the interest in it for \$10,000"; or, if he wanted to give me some profit give me a profit.

Q. Let me put this squarely to you, Senator McDougald, when you and Henry incorporated the Sterling Industrial Corporation and filed your application with the Department you knew or felt that whoever went ahead with this development would have to deal with you and Henry?—A. No, sir. I would not say that I felt that at the time at all. I felt—

By Mr. White:

Q. What was the application made for?—A. To develop it ourselves. I had no idea of trying to do anything else.

Q. The idea just occurred to you as soon as you heard that the other application had been made and that you became interested in it?—A. No, sir.

Q. When did it occur to you?—A. I can't tell you exactly.

The CHAIRMAN: Mr. Henry, in answer to a similar question, said—

Mr. FORSYTHE: Page?

Mr. WHITE: Page 566 or thereabouts, Mr. Chairman.

The CHAIRMAN: The substance of Mr. Henry's evidence when asked that question was, that when he incorporated the Sterling and filed his application—and it was a prior application save in some exceptions—he felt that if the project went on that McDougald and Henry would have to be taken care of. Now, did you agree with that?

Mr. STARR: Where are you reading from, Mr. Chairman?

The CHAIRMAN: I am saying that is the substance of what he said.

The WITNESS: That may have been his idea, but I can speak for myself. I was not thinking of myself personally in the matter. He may have thought if anything came out of it I naturally would be taken care of. That was Mr. Henry's right. But it had never been discussed with him; I never discussed it with him at all.

By the Chairman:

Q. Well, at any rate, the Sterling Industrial did come to life?—A. Yes.

Q. And for the assets of the Sterling Industrial Corporation you and Henry, through the agency of Ebbs, I presume, received 2,000 part-interests in the Syndicate?—A. Yes, sir.

Q. And what assets did you transfer to the Syndicate in return for the 2,000 part-interests?—A. Well, as a matter of fact, the only asset was the charter and the application.

Q. The five incorporators' shares?—A. That is all. Remember this, Mr. Chairman, that when that arrangement was made in October or thereabouts in 1928 the Beauharnois Company turned over 2,000 part-interests. Mr. Swezey thought that was a good price to pay, but they were not worth \$300,000 at the time. They were taken in at the same price as every member of that Syndicate had paid for them, \$100 and interest.

Q. That would amount to \$200,000?—A. Yes, \$200,000. But at the time it was an option really. They paid nothing, they gave nothing. When the first arrangement was made they gave nothing. In October of 1928 it was an option really, because there was a clause in the agreement which stated that unless the order in council went through they would not take up—

Q. Yes, I am acquainted with that.—A. The reason for that was, because I felt they were paying nothing and they were removing the possible chance of Henry associating himself with some other group, and making the Sterling Industrial more formidable—

Q. Do you suggest that Henry alone, working for the Canadian National Railways, the Deputy Minister of Railways and Canals, would be formidable?—A. I do, sir, because I think Mr. Henry was considered the best informed man on transportation matters, and on engineering matters in that section of the river than anybody else in Canada.

Q. What good would that be, if he could not get those rights?—A. The Beauharnois did not have the right.

Q. If you could not procure the passage of the order in council, what good would it be?—A. That is an ordinary business transaction, Mr. Chairman.

Q. It is a very extraordinary one.—A. Well, it is done every day, to my knowledge.

Q. Maybe. Listen to What Mr. Sweezey says at page 663:—

By the Chairman:

Q. Listen to what Mr. Sweezey said in his evidence at page 663:—

By the Chairman:

Q. Mr. Sweezey, Mr. Griffith gave evidence in respect to the Sterling Industrial Corporation, and he did not think the assets of the Sterling Industrial Corporation amounted to anything?—A. Neither did I.
Mr. WHITE: Nor I.

By the Chairman:

Q. And in spite of your having joined in the transfer of the assets so-called of the Sterling Industrial Corporation or two thousand part-interests which were at least worth \$200,000 you admit that these assets were worth nothing?
A. Yes, worth nothing.

Q. Then what was worth something?—A. The application that was in there. I do not know the technical term for it, but I understand and did understand that it made it impossible for any other company to come in and get any rights through unless that was removed. Now, it had a nuisance value.

By Mr. Lennox:

Q. There was an application in two weeks before you put yours in, which has never been removed?—A. I did not know that.

By the Chairman:

Q. You say your application had a nuisance value?—A. Yes.

Q. Elaborate on that, please?—A. I cannot, any more than to say I was told at the time that no other applicant could get any consideration from any Department until the prior application was removed.

Q. There was an application prior to yours?—A. I did not know that, sir.

Q. Did you never hear of the Transportation and Power Company?—A. I have heard the name very often, but I never heard of it in that connection.

Q. You never heard that they had an application in?—A. No.

Q. Although it started at Lake St. Francis and went as far as Lake St. Louis?—A. No.

Q. You are disillusioned now as to any prior applicant having a nuisance value?—A. I would not say that unless I had some legal information on it.

Q. You do not need legal information in order to answer that question, surely. (No answer).

Mr. MONTGOMERY: The Transportation and Power Company application was based on the alleged purchase of the Robert rights, and Robert had protested against the thing.

Mr. WHITE: The Sterling Industrial Corporation did not even pretend to have any rights.

Mr. MONTGOMERY: But that finished the Transportation and Power Company.

By the Chairman:

Q. The Transportation and Power Company at least alleged a right by reason of the option from Robert, but the Sterling Industrial Corporation did not even allege a vestige of a right, but your company had a nuisance value and the Transportation and Power Company did not,—is that the working out of it?—A. If one had a nuisance value so had the other.

Q. You had a nuisance value because you happened to be a Senator and could exercise a great deal of influence?—A. No, sir, not at all; I never used

my position as Senator to exercise any influence. Moreover, I may say here and now in reply to your suggestion, sir, that before I went into the Beauharnois Company I had legal advice that there was nothing at all in connection with the Beauharnois Company that would prohibit me from taking my seat in the Senate. I assured myself at the time that there was no application being made by the Beauharnois Company to the Government at Ottawa for any concession whatsoever. Any concessions they got came from the Province of Quebec, and they were asking here only that their plans be approved by the Department of Public Works or the Department of Railways and Canals, in so far as they affected navigation. They were asking for no rights whatever.

By Mr. Lennox:

Q. I do not suggest that there is anything wrong in your being a Senator, but by reason, perhaps, of your being a Senator — —A. That is for Mr. Swezey to say, sir.

Q. Do you think if you had not been a Senator you would have got two thousand part-interests in a company that had issued shares only to five stenographers?—A. Yes. I say, without being a Senator, that I feel Henry would be quite justified in coming to me. I had enough money to pay for the rights I was getting in the Beauharnois Company.

By the Chairman:

Q. You were not paying for any rights?—A. I was paying for the original shares.

Q. You are speaking now of the Sterling Industrial Corporation in which you say you put up \$10,000 for which you got two thousand part interests, and which at that time were worth \$200,000?—A. They were worth nothing at the time, in my opinion.

Q. They were being bought at that price by others at that time?—A. But it was not worth that; it was a gamble.

Q. It was not a gamble, it was a gift?—A. No, the whole thing was a gamble.

Q. Obviously you got two thousand part interests?—A. I am not talking about that.

Q. I am?—A. I say the Beauharnois Syndicate was a gamble and had no value, not even to the extent of the \$100 a share that I paid and everybody else paid for these syndicate shares, no value whatever until the contracts were signed by the Hydro Electric Power Commission of Ontario and the Montreal Light, Heat and Power Company, because they could not finance it until they got those contracts signed, and it was only by virtue of those contracts being signed that anybody got any money out of it.

By Mr. Stewart:

Q. Do you say your company had standing with the Department of Public Works as a prior application?—A. No, it had no standing in the sense you mean. Let me get your question correctly?

Q. You say the Sterling Industrial Corporation had a prior application to the Department of Public Works which you regarded as a prior right?—A. Yes, that was my understanding at the time.

Q. And do you still maintain that?—A. I have no reason to say otherwise.

Q. There was a letter addressed by the Department to your company in which they set forth that you had not complied with the requirements of the Department, and your company made no endeavour to comply with those requirements. You utterly ignored them. You never wrote to them. You never even advertised. Your plans were never deposited with the registrar.

You had no evidence to place before the Department that you had to use that ground as a site for this project?—A. Again that is proof that I knew nothing about the details of it.

Q. It also goes to prove that with the Department of Public Works you had no rights, but there was an intangible asset some place?—A. At the time I understood, and correctly so, that the firm of McGiverin and Haydon, a firm of reputable lawyers who are supposed to know what they are doing, had attended to everything necessary in order to get those rights.

Q. I cannot find out where the asset of the Sterling Industrial Corporation was, unless it was you?—A. You are very flattering, too flattering.

Q. You did not comply with the request sent to you to rectify your application?—A. It was not sent to me. I was not on the Board, and I knew nothing about it.

By the Chairman:

Q. There were only five stenographers on the Board then?—A. I did not know anything about it at that time.

Mr. STEWART: And that was worth \$1,000,000?

The WITNESS: General Stewart, I just heard you say it was worth \$1,000,000. That is not correct.

By the Chairman:

Q. If you had sold out at the time Jones bought you had a chance to make \$1,000,000?—A. No, not on those two thousand part interests.

By Mr. White:

Q. At \$500 a share? It would be a little over \$1,000,000?—A. No, I do not think the price Jones got for his shares was a fair value at all.

Q. You bought some of them?—A. Because I had the interest of the company in my mind.

Q. And the Montreal Trust Company did?—A. That is all right.

Q. And they are a trust company?—A. That is all right.

Q. They must have considered the shares were worth it, or they would not have bought?—A. On what basis?

Q. I cannot tell you, but they must have so considered?—A. At that time what assets did they have?

Q. Are you suggesting that the Montreal Trust Company or any trust company would buy assets of that kind without considering what they were worth?—A. Sometimes it is of great value to a group to control the interests they are in. That is done every day.

Q. By trust companies?—A. I am not talking about trust companies.

Q. I am?—A. If a man wants to get control of a company he will pay a great deal more for shares than he otherwise would. Moreover, I say that Jones' shares were not bought by the money of this company but by the money of individuals the same as the shares I took over from Dufresne and Simard were not paid for by the money of the company but financed by me.

Q. But, as it turned out, you made enough money out of the company to buy them?—A. That does not matter.

Q. I think it matters?—A. I don't.

Mr. STARR: Are you stating it correctly when you say that he made enough money to pay \$1,000,000?

Mr. WHITE: He did not pay \$1,000,000. He sold them in eight days; he bought them for the Montreal Trust Company, as I understand it.

The WITNESS: I did not say that.

By Mr. White:

Q. I say you did?—A. They are financing for me.

Q. And they made the profit?—A. Yes. I took the responsibility.

Q. With the Montreal Trust Company behind you?—A. No; they had nothing to do with it.

Q. Tell us the fact? How did you come to buy these shares?—A. On the 31st July, 1929, I got an option from Dufresne and Simard for a one thousand part-interest each.

Q. At?—A. At \$500 a share for that option; I put up \$50,000 in Victory bonds to each one of them; the option was for three months. At the expiration of that time I took over the shares and paid for them and turned them in to the Montreal Trust Company.

Q. Eight days after you took them over?—A. Possibly; I do not know how many days.

Q. Did you do that by any pre-arrangement with the Montreal Trust Company?—A. No.

Q. Then how did the Montreal Trust Company come to be buying shares in the Beauharnois Syndicate?—A. That is for the Trust Company to say. As to those shares I had no communication with the Trust Company.

Q. How did the Montreal Trust Company come to be buying shares in the Beauharnois Syndicate if it was not by pre-arrangement?—A. I cannot tell you that. There was no pre-arrangement when I took the option on those shares and put up \$100,000 to bind that option, which would have been lost to me if had not been able to finance the final payment when the option came due.

Q. Did not you in the meantime go to the Montreal Trust Company and say: "I have this option"?—A. Before the final payment, yes, but not at the time I took the option.

Q. I thought so. And they gave you the money to take it up?—A. That is right; they financed it.

Q. I did not want to go into that phase of it, because it appeared to be personal?—A. It was a financing transaction.

Q. It does not appear to be that now, because the Montreal Trust Company apparently acquired the beneficial ownership in those part-interests?—A. I could not tell you that.

Q. Can you account for the fact that, if you simply borrowed the money from the Montreal Trust Company to complete this transaction, they received the profit and you did not?—A. Yes; but what I say is that I cannot tell you whether they remained with the Montreal Trust Company or whom.

Q. But so far as you know it was the Montreal Trust Company?—A. Right.

Q. And so far as you know the profit was made by the Montreal Trust Company?—A. Correct.

Q. And so far as you know the beneficial interest in those shares or part-interests passed from you to the Montreal Trust Company?—A. Yes.

Q. At the time at which you transferred them to them on the 9th October, 1929?—A. Quite correct. The only point I am making is that when I took the option and put up \$100,000 of Victory bonds I had no understanding or communication with the Montreal Trust Company whatever; I took the risk of financing the two thousand part-interests myself at the time, and I would have lost my \$100,000 if I had not been able to do it.

Q. I suggest to you that at the very time that this transaction was entered into you knew what the profit was going to be, and the reason I suggest that to you is because of what appears in the minutes of a meeting of the Board of Syndicate Managers of the Beauharnois Power Syndicate held on the 9th day of

July, 1929, at which meeting there were present: R. O. Sweezey, F. P. Jones, R. W. Steele, J. P. Ebbs and H. B. Griffith. J. P. Ebbs was your representative?—A. Yes.

Q. In these minutes the following appears:—

A full discussion took place as to a plan for disposing of the undertaking and assets of the Syndicate and the distribution thereof among Syndicate Members. Mr. F. P. Jones stated to the meeting that he was not in favour of having the plan dealt with at the present time, but felt that consideration of it and resolution embodying it should be dealt with at a later meeting. Mr. Jones verbally tendered his resignation from the position of Syndicate Manager and retired from the meeting.

After discussion on motion duly seconded it was resolved:

1. That the undertaking and assets of the Syndicate (except any unpaid balances and any uncalled balances for which Syndicate Members may be liable to the Syndicate in respect of the Part-Interests of the Syndicate held by them respectively) be transferred to a company to be incorporated under the laws of the Dominion of Canada with the name "Beauharnois Power Corporation Limited," or such similar or other name as can be procured (hereinafter referred to as the "New Company").

2. That the New Company shall have an authorized capital stock consisting of—

Then:—

(b) 4,999,995 Common shares without nominal or par value.

3. That the New Company shall have all such appropriate powers as may be necessary for the purpose of enabling it properly to carry on the undertaking transferred to it by the Syndicate.

4. That the consideration for the said transfer be:

(a) The sum of \$4,750,000 in lawful money of Canada payable at the time and upon the conditions hereinafter mentioned. . . .

I suggest to you that at the very time that you entered into these negotiations for the purchase of these one thousand shares you knew from your representative on the syndicate, Mr. Ebbs, that there was to be \$4,750,000 in lawful money of Canada paid by a company to be formed with respect to the syndicate part-interests?—A. That is quite correct, but I did not know.

Q. And also that there were to be a large number of shares distributed?—A. Yes; but I did not know that they would be able to get a contract with the Montreal Light, Heat and Power Company, and if they had not had that contract with the Ontario Hydro Electric Power Commission they could not have financed it. That was a bankers' arrangement, and I did not have anything at all to do with it.

By the Chairman:

Q. Did you ever have a written agreement with Mr. Henry?—A. I had a written agreement with Mr. Henry before he entered the hospital in August, 1929.

Q. Where is it? Have you got it with you?—A. Mr. Henry has it.

By the Chairman:

Q. Have you a copy of it, Senator?—A. No, I have not. When Mr. Henry was going into hospital—I think it happened around August of 1929—I had never had anything with Mr. Henry in writing, and I said that as he was going in the hospital and no one could tell what would happen to him, I wanted to adjust or arrange with him what should be done with the profits, if any, that came out of the Sterling shares.

By Mr. White:

Q. Evidently at that some profits were contemplated, putting it on the lowest ground, otherwise you would not have bothered to make some arrangement with Mr. Henry?—A. Correct, Certainly.

Q. And was it about that time, or, say July of 1928, that the negotiations were entered into between Ebbs on your behalf and Mr. Sweezey on behalf of the Beauharnois Company for the acquisition of the shares of the Sterling Company?—A. Would you repeat that question?

Q. (Question is read by reporter).—A. My recollection is that it was not in July, but later on—closer to October than July.

Q. I ask you now whether it was before or after you made the agreement with Henry?—A. Before.

Q. Then, what was the sense of making an agreement with Henry if it had been lying dormant for four years, and out of which nothing had come, unless at that time it was expected that something would come out of it?—A. Well, of course, I would not enter into any agreement or any other thing, would I, if I didn't expect something to come out.

Q. What did you expect?—A. You mean of profit?

Q. No. How did you expect to make a profit at all?—A. Well, if the venture was not a success—

Q. What venture?—A. The Beauharnois Company venture.

Q. How would the Beauharnois venture affect the Sterling Company if you had not entered into any negotiations for a sale with the Beauharnois Company?—A. I was merely mixing the years up. The first negotiations which took place with regard to Sterling between Ebbs and Sweezey to my recollection were in September, or thereabouts, of 1928.

Q. This other thing was 1929. I call your attention in that connection to exhibit 75 which is the agreement. It is dated 18th of December, 1928, between Beauharnois Power Syndicate, John P. Ebbs and Lyla Brennan:—

Witnesseth as Follows:

1. The syndicate and the said Ebbs in consideration of good and valuable consideration each to the other paid the receipt and sufficiency whereof are hereby acknowledged, hereby covenant and agree together that provided the application of Beauharnois Light, Heat & Power Company to the Dominion Government for approval of its plans and site be granted on or before the twenty-eighth day of February 1929, the said Ebbs will transfer and make over, or cause to be transferred and made over to the syndicate and/or its nominees all of the issued capital stock of Sterling Industrial Corporation Limited, and the syndicate will allot and issue to the said Ebbs and/or his nominees two thousand (2,000) fully paid and non-assessable part-interests of the syndicate in consideration for and against delivery and transfer of the said shares of Sterling Industrial Corporation Limited.

A. Yes.

Q. Did you instruct Mr. Ebbs to enter into that agreement?—A. I never saw the agreement.

The CHAIRMAN: Why don't you answer the question.

WITNESS: I did not, sir.

The CHAIRMAN: Did you instruct Mr. Ebbs to enter into that agreement?

WITNESS: Yes. I instructed Mr. Ebbs.

By Mr. White:

Q. To enter into this agreement?—A. To enter into an agreement.

Q. For the sale of shares for 2,000 part-interests?—A. Quite.

Q. And make it conditional upon—as you told us a while ago for the reason you then gave us—make it conditional upon the “approval of its plans and site be granted on or before the twenty-eighth day of February, 1929, by the Dominion Government?—A. No, I never told him that. I never told him to put that clause in there.

Q. Did you know it was there?—A. No. To the best of my knowledge I did not. I did not know that clause was in there.

Q. This meant that Mr. Henry let you down pretty badly?—A. I should not say so.

Q. I will indicate to you why. You were a Senator, were you not?—A. Yes, sir.

Q. And apart from that, had occupied two very prominent positions to which you had been appointed by the same government which had appointed you to the Senate?—A. Yes, sir.

Q. And which was in power at the time that this agreement was entered into. You realize that?—A. It is a fact that I was in the Senate, yes.

Q. And that the government which had appointed you was in power at the time this agreement was entered into. Is that true?—A. Yes. They were in power, but I—

Q. Yes. But it might be open to the construction by some suspiciously minded person that you were selling your influence?—A. Oh, well, people can suspect anything. I am suspected of all sorts of things.

Q. The agreement looks like that, Senator?—A. I cannot help what it looks like if I had nothing to do with it. But I did not suggest to Mr. Ebbs that he should put that in there.

Q. You agreed together

That provided the application of Beauharnois Light, Heat & Power Company to the Dominion Government for approval of its plans and site be granted on or before the 28th day of February, 1929, the said Ebbs will transfer and make over, or cause to be transferred and made over to the syndicate and/or its nominees all the issued capital stock of Sterling Industrial Corporation Limited, and the syndicate will allot and issue to the said Ebbs and/or his nominees two thousand (2,000) fully paid and non-assessable part interests of the syndicate in consideration for and against delivery and transfer of the said shares of Sterling Industrial Corporation Limited.

Now, I point out to you that this 2,000 was transferred to you?—A. Might not Mr. Swezey or Mr. Griffith have put that clause in there; might not they and not Mr. Ebbs?

Mr. STARR: I think Mr. Griffith did.

WITNESS: You are a good lawyer. You should know. Might not Mr. Swezey or Mr. Griffith have put that clause in there without any knowledge of mine?

By Mr. White:

Q. Are you suggesting that Mr. Swezey or Mr. Ebbs without your consent and approval entered into an agreement that might expose you as a Senator and prominent man in this country—or perhaps I might not be far from the truth when I say, a prominent man in your party—might expose you to severe criticism?—A. I do not believe that either Mr. Swezey or Mr. Griffith ever thought of such a thing.

Q. Why should it be made conditional on the Order in Council passing?—A. Because—

Q. Let me put it another way. Why should you be placed in the position of making the receipt by you of what was then, apparently, at least the

equivalent of \$200,000 for something that was practically valueless, except as a nuisance—conditional upon this Order in Council being passed?—A. Well, because those shares had no value at all to begin with—either Beauharnois or Sterling—unless the Order in Council was passed approving of those plans. Now, it would be perfectly natural to anyone making that agreement to put in a clause of that kind. What good would it be unless the Order in Council was passed?

Mr. WHITE: I venture to say that if I owned them, it would not be there.

By Mr. Lennox:

Q. That would be all the more reason why you should exercise your influence to try to get them through?—A. You are simply insinuating that. There is nothing in that document showing that.

Q. If the application were not granted by the Dominion Government, upon your own statement, these part interests would be practically valueless. There is only one way in which they could get this enormous value, and that was by the Dominion Government accepting the application on or before a certain date. Now, as a business man, you would expect a project with so much money involved might use a little influence?—A. I can say definitely here and now I never used any influence with anybody in the government to get that Order in Council through.

Q. There was \$200,000 at stake?—A. It did not concern me a bit. I never exercised any influence with anybody here in Ottawa.

By Mr. White:

Q. It would be further insinuated because at that time you had invested \$30,000?—A. Correct. I have never asked anybody here in Ottawa to do anything that could not be done on its merits, and as I said before, there was nothing here in Ottawa. The company was asking Ottawa for nothing. They had all their concessions from Quebec, and all they wanted here was to have the Departments of Public Works and Railways and Canals approve of these plans in as far as they affected navigation.

Q. As I get your statement then it is this: that you never asked anybody here at Ottawa to do anything which they could not be justified in doing?—A. Correct.

Q. Then may I infer from that that you considered that the departments, or the Governor in Council, or the government, as we laymen commonly speak of it, was justified in approving of this order in council?—A. I do.

Q. And that, therefore, you would be justified in asking those of your friends whom you thought might have influence to help it along for that reason?—A. That is not correct.

Q. That is not correct?—A. No, sir, I had no such notion in my mind.

Q. May we take it that although you considered that the government was justified in approving of the order in Council, and although you were to obtain a share of what then had an apparent value of \$200,000 if the order went through, and although you had \$30,000 representing 800 part-interests in the syndicate, that you did not even exert any influence to do what you consider, may I take it, would not only be justifiable by the government but for the interests of Canada?—A. That is perfectly correct. I never tried to influence any minister or the Prime Minister in connection with the Beauharnois Company.

By Mr. Lennox:

Q. Senator, what value would the Quebec charter be if the Dominion government had not passed this order in council?—A. It would have no value in my opinion.

Q. I agree with you?—A. But I could not conceive of any government at Ottawa refusing to pass an order in council on something that was started at Quebec, and over which they had control and had the rights.

By Mr. White:

Q. According to that, the Sterling Company had not even the nuisance value, if you are correct in that statement?—A. I do not know that that has anything to do with the Sterling Company.

Q. If you meant what you said a moment ago. You said you cannot consider how any government could refuse— —A. I said conceive.

Q. I say if you cannot conceive that, I suggest you cannot conceive the common nuisance value of the Sterling Company?—A. Yes. I can conceive of a nuisance value in holding up. I know a good many things that have been held up. They had no real merit.

Q. The other had the merit?—A. All right. I know a great many cases without any value at all, they will hold up business or corporations, not because they have any right or good cause for doing it, but simply because they can delay and delay and delay. It was important for the Beauharnois Company to get through here.

Q. Surely you are not asking us to understand you as saying that they are in a position of holding up and holding up?—A. Certainly not. I never said such a thing. You put that into my mouth. I never said any such thing.

Q. Then I would ask the reporter to read back your answer.

(Answer read by reporter.)

Q. Then, do I understand you to say absolutely and unequivocally as your explanation that you were a party to delaying and delaying the Beauharnois project because you were interested in something that had a nuisance value although you conceived that the Beauharnois project was for the advantage of Canada?—A. That is what I am objecting to. You are making a statement and trying to get me to admit it. I say nothing of the kind.

Q. What else did you say?—A. What I said was that the departments—that is what I have in mind—

By the Chairman:

Q. That is the first time you used the word department?—A. I did not use the word department—I am qualifying that now. What I did mean was that any department would investigate whether or not the Sterling Company—to use the specific company—may have some right or claim to delay—

The CHAIRMAN: Wait a moment. Do I understand you to mean that the department might thrust on you the right?—A. No, sir, I do not mean anything of the kind.

Q. What do you mean?—A. I do mean that the department—and everybody knows what departments do—

Q. No, everybody does not know that?—A. Everybody in Ottawa knows that generally the departments delay things and delay things, which means delay for everybody else.

Q. Would it not have been more to the general advantage of Canada if you had gone to the department with Henry, who was then deputy minister of Railways and Canals, and withdrawn that application, and said to them, "I am doing this for the general advantage of Canada"?—A. I do not know that it would be necessary to do that. I do not know that anything that the Sterling did here in getting these shares, affected the Dominion of Canada one iota.

By Mr. White:

Q. It would lose a great deal of money for Senator McDougald?—A. Not to Canada, though.

Q. To Senator McDougald?—A. I am talking of Canada now. The chairman says it would affect Canada. It would not affect Canada.

Q. Why not?—A. How would that affect Canada. It was not costing the Dominion of Canada—

Q. We may as well thrash out this thing here now. There are a good many dollars in it, and large advances made by the public, and it arose through the fact that the Sterling had a delay or a nuisance value, that is how it affects Canada?—A. I do not think that is a correct statement to make.

Q. You recognize that the capital of the Beauharnois power corporation has been increased?—A. I recognize that when the bankers put out that \$30,000,000 of debentures that they were absolutely protected and covered, and that the men who bought them were protected in every way, shape and form that they could possibly be.

Q. By reason of this transaction, the Beauharnois corporation, if it is successful, has to pay dividends on 208,000 class "A" shares?—A. Every company has to do that.

The CHAIRMAN: Answer that question?—A. I cannot answer that question.

The CHAIRMAN: Let us clear that up, before we go on.

Mr. STARR: There are only 80,000 shares involved.

The CHAIRMAN: I will get at it in a moment.

Q. How many shares of the Beauharnois Power corporation were issued to you and Henry?—A. 80,000.

Q. By reason of your having sold a nuisance value in the Sterling Industrial to them, how many shares were issued?—A. 80,000 shares.

Q. 80,000?—A. Yes.

Q. Now then, what Mr. White says is perfectly correct, that you had in contemplation that at some time or other that dividends would have to be paid on those shares, if they paid dividends?—A. If they paid dividends.

Q. And those dividends would be paid to you and your associates, on what is obviously a nuisance value, sold to them. Is that right? Why hesitate, Senator?—A. That is essentially correct, yes.

By Mr. White:

Q. On top of that you did receive \$300,000, you and your associates, on the money which came out of the Beauharnois Power Corporation in respect to the same nuisance value. Is that not so?—A. I do not think that it came out of the capital of the Beauharnois company.

Q. Where else did it come from?—A. It came from the syndicate.

Q. And the syndicate sold to the Beauharnois company?—A. Yes.

The CHAIRMAN: At this juncture, Mr. Jacobs not being here, I shall have to constitute myself the official adjourner. I should like, if it meets with the approval of the members of the committee, to adjourn until to-morrow morning at 11 o'clock.

Committee adjourned at 5.40 p.m., to Tuesday, July 21, at 11 a.m.

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SESSION 1931

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

BEAUHARNOIS POWER PROJECT

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 19

TUESDAY, JULY 21, 1931



WITNESSES:

The Honourable W. L. McDougald, a Member of the Senate of Canada.
Sir John Aird, President, Canadian Bank of Commerce, Toronto, Ont.
Mr. Andrew T. Thompson, Messrs. Thompson, Cote, Burgess and Code,
Barristers, Ottawa, Ont.
Mr. John Aird, Jr., Engineer, Toronto, Ont.

EXHIBITS FILED

No. 114—Marquette Investment Corporation cheque, September 5, 1928, for \$5,857.04 in favour of Messrs. Geoffrion and Prud'homme.

Messrs. Geoffrion and Prud'homme's account, August, 1928, rendered to Beauharnois Power Syndicate.

No. 115—Messrs. Thompson, Cote, Burgess and Code's account, July 24, 1928, for \$2,500 rendered to Beauharnois Light, Heat and Power Company, and Marquette Investment Corporation cheque, July 27, 1928, in payment therefor.

No. 116—Three accounts rendered by W. B. Sifton, April 28, May 19 and May 19, 1928, together with Marquette Investment Corporation cheque, May 25, 1928, in favour of W. B. Sifton for \$1,128.98.

No. 117—Marquette Investment Corporation cheque, November 8, 1929, for \$5,000 in favour of Dr. W. L. McDougald, for travelling expenses, January 1 to November 8, 1929.

No. 118—Hon. W. L. McDougald guest accounts, Nos. 15687 and 15724, Hotel Bermudiana, Hamilton, Bermuda.

Hon. W. L. McDougald's account to Beauharnois Light, Heat and Power Co. Ltd., for \$3,352.32.

Beauharnois Power Corporation Limited cheque, June 13, 1930, in favour of Hon. W. L. McDougald for \$3,352.32.

No. 119—Hon. W. L. McDougald cheques, April 19, 1930, and April 25, 1930, to Hotel Bermudiana, for \$645.69 and \$56.42, respectively.

MINUTES OF PROCEEDINGS

TUESDAY, July 21, 1931.

The Special Committee appointed to investigate the Beauharnois Power Project met at 11 a.m. Hon. Mr. Gordon, the Chairman, presided.

Members present: Messrs. Dorion, Fiset (Sir Eugène), Gardiner, Gordon, Jacobs, Jones, Lennox, Mackenzie (*Vancouver Centre*), Stewart (*Lethbridge*).

The Honourable W. L. McDougald, a Member of the Senate of Canada, was recalled and further examined.

The Committee adjourned at 1 p.m. until 3 p.m.

The Committee resumed at 3 p.m.

Members present: Messrs. Dorion, Fiset (Sir Eugène), Gardiner, Gordon, Jacobs, Jones, Lennox, Mackenzie (*Vancouver Centre*), Stewart (*Lethbridge*).

Sir John Aird, President, Canadian Bank of Commerce, Toronto, Ontario, was recalled and further examined.

Sir John Aird retired.

The Honourable W. L. McDougald was recalled and further examined.

Mr. White, K.C., of counsel for the Committee, filed,—

Exhibit No. 114—Marquette Investment Corporation cheque, September 5, 1928, for \$5,857.04 in favour of Messrs. Geoffrion and Prud'homme.

Messrs. Geoffrion and Prud'homme's account August, 1928, rendered to Beauharnois Power Syndicate.

The Honourable W. L. McDougald stood aside.

Mr. Andrew T. Thompson of Messrs. Thompson, Cote, Burgess and Code, Barristers, Ottawa, Ontario, was recalled and further examined.

Mr. White, K.C., filed,—

Exhibit No. 115—Messrs. Thompson, Cote, Burgess and Code's account, July 24, 1928, for \$2,500 rendered to Beauharnois Light, Heat and Power Company, and Marquette Investment Corporation cheque, July 27, 1928, in payment therefor.

Mr. Thompson retired.

The examination of the Honourable W. L. McDougald was continued.

Mr. White, K.C., filed,—

Exhibit No. 116—Three accounts rendered by W. B. Sifton, April 28, May 19 and May 19, 1928, together with Marquette Investment Corporation cheque, May 25, 1928, in favour of W. B. Sifton for \$1,128.98.

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Exhibit No. 119—Hon. W. L. McDougald cheques, April 19, 1930, and April 25, 1930, to Hotel Bermudiana, for \$645.69 and \$56.42, respectively.

The Honourable W. L. McDougald stood aside.

Mr. Andrew T. Thompson was recalled and further examined.

Mr. Thompson retired.

The examination of the Honourable W. L. McDougald was continued.

The Honourable W. L. McDougald retired.

Mr. John Aird, Jr., Engineer, Toronto, Ontario, was recalled and further examined.

Mr. Aird retired.

The Committee adjourned until to-morrow, Wednesday, July 22, at 11 a.m.

JOHN T. DUN,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,

TUESDAY, July 21, 1931.

The Special Committee appointed to investigate the Beauharnois Power Project met at 11 o'clock, Hon. W. A. Gordon presiding.

Appearances:

Peter White, K.C., Louis Morin, K.C., B. H. Symmes, for the Committee.

G. H. Montgomery, K.C., L. A. Forsythe, K.C., I. F. Helmuth, K.C., for the Beauharnois Company.

J. H. L. Starr, K.C., for Senator McDougald.

Hon. Lucien Cannon, K.C., for the Province of Quebec.

Lucien Moraud, K.C., for the Royal Trust Company.

WILFRID LAURIER McDOUGALD, Examination (Resumed).

By Mr. White:

Q. I notice that before you were a Senator you were Doctor McDougald. Are you a medical doctor?—A. By profession only. A simple country doctor.

Q. What is your degree?—A. M.D.

Q. From where?—A. From Queen's University.

Q. Then referring to this matter of the purchase of the Sifton interests, you told us yesterday, as I recollect it, that your first interview with Mr. Sifton in regard to this matter, or at least that you had an interview with him in March of 1928?—A. I think previous to that I had had chats with him about it.

Q. And the matter was brought to a head then?—A. The matter was brought to a head then.

Q. And resulting?—A. When I say "brought to a head", Mr. White, I mean that he made a specific proposition to me at the time to go into the Beauharnois Company. It was not brought to a head then though.

Q. I suggest to you it was brought to a head about the end of May of that year?—A. That is right, sir.

Q. Then if you will turn to page 756 of the evidence, there appears the statement which your counsel, Mr. Starr, made, which is not quite in accord with what you say, but perhaps unwittingly, and to the same effect:—

Senator McDougald authorizes me to make the following statement: That at the end of May, 1928, W. B. Sifton came to Senator McDougald and urged him to purchase his interest in the Beauharnois Syndicate held in the name of L. Clare Moyer, giving as his reason, ill-health and the fear that he couldn't carry on his activities in the Beauharnois Company much longer.

So that we may take it then that you had made an arrangement with Mr. Sifton, while it was not carried out, you had made that arrangement about the end of May, 1928?—A. It was around the 18th of May.

Q. The 18th of May, 1928?—A. Which I would consider would be about the end of May.

Q. Then I call your attention to the fact that Mr. Sifton had no interest in the Beauharnois Syndicate at that time, because Mr. Moyer's subscription was the 4th of April, 1928, some 16 or 17 days after you say that you had agreed with Mr. Sifton to purchase—A. No, sir. I did not say that I agreed in March.

Q. April—A. I said nothing of the kind.

Q. I see, you did not agree in March?—A. No, sir.

Q. You did not agree in March?—A. No, sir.

Q. You agreed—A. I never said such a thing.

Q. You agreed on the 18th of May?—A. That is right.

Q. Although you had talked in March?—A. Although I had talked in March, yes.

Q. And previously to that also?—A. And had declined to come in. There was no actual agreement until the 18th of May.

Q. There was no actual agreement until the 18th of May?—A. That is right.

Q. And that was 14 days then,—no, a month and 14 days after the actual date of the subscription. At the meeting of the committee, that is, the Special Committee appointed to inquire into the development and improvement of the St. Lawrence River, I see by the Blue Book that you examined Mr. Henry.

Mr. STARR: What page?

Mr. WHITE: Page 215.

By Mr. White:

Q. You examined Mr. Henry as a witness before that committee?—A. That is quite correct.

Q. And I suggest to you that the meeting at which you examined him was held the 31st of May, 1928?—A. I cannot fix the date.

Q. At a time when you were actually interested in the Beauharnois Syndicate by reason of having agreed to purchase the Sifton interests?—A. Well, right here and now—

The CHAIRMAN: Cannot you answer that?

The WITNESS: There is no answer to it, sir, excepting this answer: When I brought Mr. Henry before that Senate committee I at the same time brought the General Manager of the Montreal Harbour, Mr. Harvey, and Mr. Ferguson who was the Assistant General Manager of the Harbour—

The CHAIRMAN: That is not the question that was asked you.

The WITNESS: This is the way I am going to answer.

The CHAIRMAN: I do not know that it is the way you are going to answer.

The WITNESS: My answer is I did not bring Mr. Henry there to speak on any question of power whatever. He was brought there as an economist to give answers on the economics of the St. Lawrence Waterways.

By Mr. White:

Q. We will see what some of your questions were to him on that occasion. I want an answer to my question now if you will be good enough to give it to me. I will repeat it, perhaps not in the same words. I suggest to you that when you called Mr. Henry before the Special Committee and there examined him on the 31st of May, 1928—

Mr. STARR: Where do you get the date, Mr. White?

Mr. WHITE: From the record.

Hon. Mr. MACKENZIE: Is that the Senate committee?

Mr. WHITE: It is the Special Committee appointed under the order in council of the 7th of May. It is the Senate committee, that is right, a Special Committee appointed to inquire—

The CHAIRMAN: What is the date, Mr. White?

Mr. WHITE: May 31st, 1928.

Mr. STARR: Where do you get the date?

The CHAIRMAN: Mr. Starr, let Mr. White proceed. If you listen you will hear the date. It is the 31st of May, 1928.

Mr. WHITE: If my learned friend will take the pains to look at it he will find this, page 194:

MINUTES OF EVIDENCE

THURSDAY, 31st May, 1928.

The Special Committee on the Development and Improvement of the St. Lawrence River met this day at 11 o'clock, a.m.

Mr. STARR: That is all I want.

By Mr. White:

Q. I suggest to you that on that date when you called Mr. Henry as a witness you had an interest in the Beauharnois project?—A. That is right.

Q. That is right. Did you disclose that to the committee?—A. It was none of their business whether I had or had not any interest in it.

Q. Did you?—A. No, I did not.

The CHAIRMAN: What was this Special Committee set up for, Mr. White?

Mr. WHITE: The report is dated the 7th of June, 1928, sir.

The CHAIRMAN: Well, is there an order of reference?

Hon. Mr. MACKENZIE: Yes, there is.

Mr. WHITE: Yes. The date of that is April 20, 1928:—

Ordered, That a special committee of the Senate be appointed to inquire into and report from time to time on the matter of the development and improvement of the St. Lawrence river for the purposes of navigation and production of electric current and power and matters incidental to such objects; and that the committee be empowered to send for persons, papers and records, to examine witnesses under oath if deemed necessary, and to employ stenographers and other clerical help subject to approval of the Senate in regard to expenditures; and that the committee be composed of the Honourable Messieurs Beaubien, Béique, Black, Buchanan, Casgrain, Copp, Farrell, Gillis, Graham, Hardy, L'Esperance, Lynch-Staunton, McLennan, McDougald, McMeans, Molloy, Murphy, Pope, Reid, Robertson, Ross (Moose Jaw), Sharpe, Smith, Tanner, and Willoughby.

By Hon. Mr. Mackenzie:

Q. Did any of those other Senators have any interest in the St. Lawrence Waterways outside of yourself, Senator McDougald?—A. I cannot say that, sir.

Mr. WHITE: Mr. Tanner was the Chairman, and the report was dated the 7th of June, 1928, and is signed by Mr. Tanner as Chairman. Perhaps the committee would be interested in knowing what the report was. It is not very important.

Hon. Mr. MACKENZIE: The report was that there should be another investigation during the next session, which never took place.

By Mr. White:

Q. And let me put to you Mr. Henry's evidence at page 369. I speak of this in order that your mind may be directed to what I am going to ask you about. I am not speaking now with reference particularly to the Senate committee, in your discussions before the meeting of that committee of the 31st of May, 1928. I am not talking to you about your discussions immediately prior to this, but for some time I understood, according to Mr. Henry, that you had been discussing this power project with him off and on since 1928 at least. Is that correct?—A. It started in 1923, yes.

Mr. WHITE: Yes.

By Mr. Lennox:

Q. Just in that connection may I ask a question. Now, you acquired the Sifton shares May 18th, 1928?—A. That is right.

Q. So that you had an interest in the Beauharnois project?—A. Correct.

Q. Let me read what you said in the Senate two days afterwards:

It was insinuated that our decisions and recommendations were influenced by personal interest in power developments on the St. Lawrence. In this House I stated at the time that I had no interest in the Beauharnois Power Company or in the Syndicate. That was absolutely true and correct.

Is that right?—A. I presume so, yes.

&

Q. You had an interest when you made that statement in the House?—A. I am not sure of the date of that.

Q. It is dated 20th May, 1931, and you acquired the interests of Sifton——
A. In 1928.

Q. Three years before?—A. That is right.

Mr. WHITE: Three years and two days, sir. This is the evidence of Mr. Henry, page 369:

Q. And when you say interested, I assume that you mean interested in obtaining such rights and doing such things as would enable them to build the canal?—A. Yes.

Q. The primary object, I assume would be the power project?—A. Oh, yes.

Q. Was that your idea?—A. Absolutely.

Q. In other words, may we take this as your frank statement, that from first to last your interest in the matter has been from the power standpoint?—A. Unquestionably.

Q. And may we take it that so far as the object of Mr. Sweezey was disclosed to you, that he had the same object?—A. I don't know that I discussed the object with him but that was my assumption at any rate.

Q. Does that same thing apply to Mr. Jones?—A. Undoubtedly.

Q. In your earlier discussion with Senator McDougald, did that seem——A. As far as I was concerned.

Q. As far as he expressed himself to you and financed your investigation, was that with the object——A. From a power point of view.

Q. You say you discussed this thing in the summer of 1928. An application was made—

Now, I ask you if it is a fact that your interest in the matter was from the power standpoint?—A. At what date now, Mr. White, are you talking about? You have got me just a little confused. Are you talking about the Senate Committee?

Q. No, I tried to warn you that I was dissociating my question from that particular occasion. I am talking about the prior discussions which you had with Mr. Henry?—A. The first discussion that I had with Mr. Henry in 1923, if it was 1923, no doubt about it, what we had in mind was power.

Q. I see. Then going on to this report—and I am doing this to shorten it up—I understand that the questions that were to be submitted to Mr. Henry were prepared beforehand, and his answers discussed, the answers that he should make discussed. What do you say as to that?—A. I say at once—

The CHAIRMAN: Discussed with whom?

The WITNESS: I say at once that the questions were prepared. I had the questions before me. I was asking the question.

By Mr. White:

Q. Who prepared them?—A. I prepared them.

Q. You prepared them?—A. Yes.

Q. And you discussed them with Mr. Henry?—A. Yes, sir.

Q. Beforehand?—A. Quite.

Q. So that his answers, the answers that he would give were known to you before you asked the questions?—A. I discussed them with Mr. Henry, because I wanted him to answer to the point any questions that had any bearing on the St. Lawrence Waterways.

Q. Now perhaps you will answer my question? You knew the answers he would make before you asked the questions?—A. No, sir; I did not know the answers that he would make.

Q. You did not know the answers to the questions which you are going to ask and which you had discussed with him before hand?—A. No, sir; I did not know.

Q. Was there any lawyer brought in?—A. Not by me.

Q. I mean for advice as to what questions should be asked?—A. Not by me; I was never advised by any counsel.

Q. So you took it upon yourself to prepare the questions which were to be asked?—A. The speech which I made in the Senate was what caused the committee to be appointed. I felt I was responsible for justifying the position I took in connection with the St. Lawrence Waterways, and I was bringing witnesses there who would give evidence to substantiate the stand which the National Advisory Board took in the report which they made to the Government of the day.

By Mr. Lennox:

Q. Is that correct? The order of reference is on the 28th April, 1928, and your speech was made on the 19th April, 1928, nine days before?—A. Just a minute. The Hon. Mr. Graham made a speech in the Senate on the report brought down by the National Advisory Board to the Government of the day, and I replied to that speech and pointed out what the Board had done in the way of investigating the waterways project and the information we had obtained to substantiate the report which we had brought in, and then it was thought advisable by the honourable members of the Senate to name a committee to reinvestigate the whole question of the St. Lawrence waterway.

By the Chairman:

Q. From the standpoint of the interests of the country they made this investigation?—A. Yes.

Q. And that is the reason the committee was set up?—A. Yes.

Q. And you were a member of the committee?—A. Yes, I suggested that I should not be a member, I may say.

Q. Just a moment. You were a member of the committee?—A. Yes.

Q. And at that time you were interested in and owned shares in the syndicate?—A. Yes.

Q. And you were a partner with Mr. Henry who was in the employ of the Government?—A. He was not in the employ of the Government; he was employed by the National Railways.

Q. Put it that way. He at the time was employed by the National Railways, and he subsequently became Deputy Minister of Railways and Canals?—A. He was not Deputy Minister of Railways and Canals then.

Q. But subsequently?—A. Yes, I believe so.

Mr. WHITE: On the 14th February, 1929, Mr. Chairman.

By the Chairman:

Q. As I understand it, you did not disclose to the other members of the committee that you were a holder of shares and interested in this power development at the time?—A. I did not feel, sir, that there was any occasion for me to disclose it, and therefore I did not.

Q. We will get along faster if you will answer my question?—A. I am answering them, sir.

Q. You are making a speech this time. I did not know that the atmosphere of the Senate was so conducive to speech-making?—A. We do not get a chance there as often as you do in the House.

Mr. WHITE: Do not take it out on us.

By the Chairman:

Q. At the time you were sitting on the committee you say you did not disclose to the other members of the committee that you were interested in the Beauharnois enterprise?—A. No, because it was not any of their affair.

Mr. STARR: I submit you should take his answer, Mr. Chairman.

The CHAIRMAN: I am conducting this examination, and I have done so before.

Mr. STARR: So have I.

The CHAIRMAN: And I am doing it my way this time.

Hon. Mr. MACKENZIE: Let us get nasty all around now.

Mr. WHITE: They will start you and me off soon.

By Mr. Lennox:

Q. Do you think that in view of the shares you got from Sifton and in view of your interest in the Sterling Industrial Corporation you were in a position to render a disinterested report?—A. Absolutely.

By the Chairman:

Q. And in order to make your report a disinterested one you discussed with Henry the questions and answers?—A. No, I did not discuss with him what his answers would be; I submitted questions.

Q. Before Henry was called before this committee which was set up by the Senate to investigate the project on behalf of Canada you prepared questions that were to be put to Mr. Henry, your partner who was an employee of the Canadian National Railways—is that correct?—A. That is correct; but I also prepared the questions for Mr. Harvey, Mr. Ferguson and Col. Dubuc.

Q. I didn't ask you that.

Hon. Mr. MACKENZIE: I think that is very important.

The WITNESS: I wanted to have these men bring out the evidence that they could be sure of when the questions were asked. Everybody knows how difficult it is for any man to give evidence on a point of that kind unless he knows what he is going to be asked about, and I wanted them to be able to answer questions specifically when they were asked, and I prepared questions for Mr. Henry, Mr. Harvey, Mr. Ferguson and Colonel Dubuc.

By the Chairman:

Q. Colonel Dubuc was an employee of the Government at the time?—A. Yes, Chief Engineer of Railways and Canals.

Q. Do you suggest to the committee that in the preparation of these questions you did not discuss the questions with the various witnesses?—A. No, sir; I did not.

Q. Were all the questions to be submitted to the various witnesses the same?—A. No; I submitted the questions to them so that they would be prepared to answer them.

Q. Was there any amendment to the questions after submission to them?—A. Not that I can recall.

Q. So you knew the minds of the witnesses sufficiently well to be able to prepare the questions that were going to be put to them after submitting the questions to them without discussion?—A. I knew their feelings. They had been on record before.

Q. But you never discussed these questions?—A. Never these specific questions, but I knew the mind of Mr. Harvey of the Harbour Board and of Mr. Ferguson as to the waterways, and I knew what Colonel Dubuc felt, and what Mr. Henry felt from the economic point of view with respect to the development of the St. Lawrence Waterways.

Q. At that juncture tell me what Henry felt that you knew?—A. I am not prepared now to discuss the St. Lawrence Waterways.

Q. You say you knew what Henry felt about it?—A. Yes. He was a political economist; that was his interest in the matter and that is what he was doing for the National Railways. He worked it out from the point of view of transportation. He worked out the water-borne freight as compared with rail-borne freight, and his evidence was intended to show that water-borne freight as the result of the deepening of the waterways—dealing with wheat—would render it possible to bring wheat to Montreal for approximately three cents a bushel less than under the present canal system. That is what I wanted Henry to bring out before the Senate committee.

Q. Were any of the questions you prepared for Henry dealing with electric power?—A. I do not believe so; I cannot recall the questions now, but I do not believe so. Mr. Henry had made a report at my request on the handling of grain from the Canadian West to Montreal, and in that report he showed conclusively that we had to get our handling costs on grain down to a minimum.

Q. What possible bearing has this on the power project?—A. I am not talking about that now, but about the deepening of the St. Lawrence Waterways.

Q. You are wasting the time of the committee in making this speech.—A. I am showing why I had Henry come there.

By Mr. Lennox:

Q. You prepared the questions?—A. Yes.

Q. Did you know what the answers were at the time you prepared the questions?—A. No, except that I knew his mind on the economic side of it. It was all bearing on the advantages of deepening the St. Lawrence Waterways, with regard to the carrying of bulk freight.

By Mr. White:

Q. I suppose you know that Henry said from first to last his interest was the power interest?—A. That is neither here nor there; that was his interest in 1923, but was not when he came before the Senate committee.

Q. I suggest it was, according to his own statement which I read to you a little while ago?—A. I would not interpret it as such at all.

Q. I do not understand English, perhaps?—A. Well, I think I do.

Mr. JACOBS: Perhaps the witness understands Scotch better.

By Mr. White:

Q. The Dominion Securities Corporation was interested in the matter at the time of the meeting of the Senate committee?—A. I could not say that definitely.

Q. Did not you know that Mr. Starr was there representing him?—A. I did not.

Q. Did you know he was there?—A. Yes.

Q. Did you not know whom he was representing?—A. No.

Q. I should have thought that as a member of the committee which was interested in consequence of the speech which was delivered you would want to know?—A. Perhaps I did at the time, and may have forgotten about it; perhaps I did not attach enough importance to it.

Q. I thought Mr. Starr's presence always meant something. (No answer.)

Mr. STARR: Oh, please.

The WITNESS: The Senators were looking for information on the St. Lawrence Waterways and I was trying to bring it out in evidence.

By the Chairman:

Q. And it was said that the question of the development of hydro electric power was to be investigated?—A. It might have been touched upon, because in the report of the National Advisory Committee which was made to the Government of the day they referred to power.

Q. And you were on the committee?—A. Yes, for the St. Lawrence Waterways scheme.

Q. You were on the committee?—A. Yes, I was on the committee.

Q. And you were interested in the power question personally when you were sitting on that committee?—A. Yes.

By Mr. White:

Q. Referring to page 215 of the Blue Book containing the proceedings of the Special Committee, let us see what you said:—

Hon. Mr. McDUGALD: Before we start Mr. Henry's evidence I would just like to say a word. During the investigations made by the National Advisory Board I was able, by the courtesy of Sir Henry Thornton, to go to Mr. Henry at all times, and he was in a position to give some very valuable information and supply very valuable data in regard to transportation, not only in connection with railways but in connection with the waterways; and I can say here that the information I obtained from him was of great assistance to myself and other members of the National Committee in arriving at some of the conclusions which we reached. Having that in mind, I think that perhaps you might allow me, as on the occasion when we had the men from the harbour of Montreal here, to prepare some questions. Yesterday I prepared some questions, and submitted them to Mr. Henry last night. . . . ?

A. Right.

Q. That is correct?—A. Yes, that is exactly what I said.

Q. Then:—

Having in mind what you said yourself, Mr. Chairman, so that he might be familiar with them, and so that we might cover the ground quickly?—

A. Correct.

Q. Did you make any such statement in regard to the evidence of Mr. Harvie?—A. I cannot recall that, but if you read that again you will see that I made no reference to power at all.

Q. No, because you knew that both you and Harvie were interested in power?—A. It does not make any difference what I knew. I went to Sir Henry Thornton out of courtesy and asked him if he would allow Mr. Henry to come there and give evidence on the question of transportation, and he agreed. The reason I asked him was because one of the objections to the waterways was supposed to be coming from the railways, so before I asked Mr. Henry to come there I asked Sir Henry Thornton if he would allow him to appear.

By Mr. Lennox:

Q. Do you say there was no reference to power?—A. I do not think so.

Q. You were interested in the Beauharnois enterprise?—A. No, sir; I was not.

Q. You were interested with Mr. Henry in the Sterling Industrial Corporation, I should say?—A. Yes, if you wish to put it that way.

Q. Let me read to you from the report of the Canadian National Advisory Committee, dated January 11, 1928, in which report you joined. I read from page 19:—

We believe that the first concern of this Committee should be, and of the Government will be, the national aspects of the proposed undertaking, and we regard it as most desirable that the initial development take place in the purely domestic section of the river lying within the Province of Quebec. We believe that if a reasonable time were permitted in which to enable the resultant power to be economically absorbed the development of this national section would be undertaken by private agencies able and willing to finance the entire work, including the necessary canalization, in return for the right to develop the power.

That is part of the report of the committee, which you signed?—A. That is perfectly correct.

Q. And yet you say the power project had nothing to do with it?—A. That power clause was put in there because the Province of Quebec is a private ownership province, and there were half a dozen, or at least three power companies who would have been willing to go in there and develop that power.

Q. You were interested with Henry in the Sterling Industrial Corporation, and you advocated that this work be done by private agency?—A. What they had in mind was that the Montreal Light, Heat and Power Company and the Shawinigan Company would have been willing to go in there and develop that power for navigation in return for giving them the transportation canal.

By Mr. White:

Q. That was your idea when you spoke to the committee on the 29th May, 1928?—A. Which committee?

Q. The Senate committee.—A. That was the way it would be done in the Province of Quebec, certainly.

Q. No. Let me read your own language as it appears at page 138 of the Blue Book:—

The CHAIRMAN: We have in attendance this morning Mr. Harvie, General Manager and Secretary of the Harbour Commission of Montreal, and Mr. Ferguson, Assistant Manager. We will first hear from Mr. Harvie.

Hon. Mr. McDougald: Before you go on with Mr. Harvie, as Chairman of the Harbour Board, and also a member of the Canadian National Advisory Committee, I would liketo make a few remarks.

Q. Making them, I take it, as chairman of the Harbour Board, and member of the National Advisory Committee, and not as a person who was interested in the Beauharnois project?—A. I was making them as chairman of the Harbour Board, because at that date I was not a member of the National Advisory Committee.

Q. You say so?—A. Well, I mean that I had been, because there was no longer—

By the Chairman:

Q. There is one thing certain, you were not making it as a partner of Henry in the Sterling Industrial.—A. Certainly not, no such notion in my head.

Mr. WHITE:

They are to look after the interests of the transatlantic companies, and their interests in navigation largely ends at Montreal where ocean ships stop. I would be quite satisfied with the testimony they gave if they had confined it to the question of whether ocean shipping should stop at Montreal or go to the head of the lakes, because that is one of the questions on which they can speak with authority, and one which is disturbing the minds of the citizens of Montreal and the Province of Quebec.

The WITNESS: Correct.

Mr. WHITE:

I think they answered that question to my entire satisfaction.

In October 1927, Colonel Gear, who is vice-president of the Shipping Federation (whose manager and secretary testified here) and, I may say, the dean of ocean-shipping interests in an interview given to the Montreal Standard in 1927, which I have in my hand, and from which I would like to quote, so that it may go on record, said: "I am not opposed to the deepening of the waterways, but am in favour of it." That is a definite statement by Colonel Gear, vice-president of the Shipping Federation. He goes on to say: ". but only on the condition that it is done by Canada when she can afford to do the work."

Now gentlemen, I submit that the recommendation of the National Advisory Board answers that objection, as you will see, if you read the recommendation. The Board recommends to the government that the cost of the International section be borne by the United States government, and that that section be turned over for the use of Canada free of all charge. As to the National Section, that is that part of the waterways wholly in Canada.

By Mr. White:

Q. The Soulanges section is wholly in Canada?—A. Yes, sir.

Q. Wholly in the province of Quebec?—A. Yes.

Q.

As to the National Section, that is that part of the waterways wholly in Canada, we are advised that all the work in the Quebec section would be done and carried on by Canada, and that the United States would have no interest in it whatsoever, except for use for the purpose of navigation under the Treaties. We suggested that the development of power in that section would be made to pay for navigation, so I submit at once that if the report of the National Advisory Board be adopted by the Government, and carried out, the condition stated both by Colonel Gear and the Shipping Federation is met. First there will be no cost to the Federal Government; the international section will be built by the United States, and the National section at the expense of power.

Now, is that the statement you made?—A. That is a correct statement.

Q. That is the statement you made?—A. Yes, right, correct.

Q. And when you made that statement you personally were interested in a project which resulted in a 600 foot channel being built under an agreement by which it could be used for navigation purposes?—A. I was interested in a project that was granted by an order in council of the province of Quebec to build a canal. The company was coming to Ottawa here asking to have their rights as to their plans approved by parliament only in so far as they interfered with navigation.

Q. And which had been filed on the 17th of January, 1928?—A. That is right.

Q. When it was filed, it proposed that the channel should be built for navigation purposes?—A. This company though—

Q. Is that not so?—A. When they made their application?

Q. Yes?—A. I expect it is so, yes.

Q. And it involved the building of a canal for navigation purposes at the expense of the power interests except as to the locks?—A. At the expense of the power interests?

Q. Yes?—A. Yes, that is correct.

Q. That is exactly what you were proposing should be done before the committee on the 29th March, 1928?—A. I was not the only one on that committee. That was not my report.

Q. That is your speech to the committee, which I have quoted from?—A. But the National Advisory report was made before that. I was quoting from the report made by National Advisory Board there.

Q. And commending the report?—A. Of course I commended the report, because it was a perfectly sound report.

Hon. Mr. MACKENZIE: May I be permitted to ask one question. Was the report of the National Advisory committee made before the first application of the first Beauharnois company? It is a matter of dates. Have you got it there? Was the report of the National Advisory committee made or published or announced before the first application of the Beauharnois company?

The WITNESS: No, not at all.

Hon. Mr. MACKENZIE: I want to find out the dates.

Mr. WHITE: January 11th, 1928.

Hon. Mr. MACKENZIE: What is that?

Mr. WHITE: The report of the National Advisory Committee.

Hon. Mr. MACKENZIE: When was the application put through?

Mr. WHITE: January 17th.

Hon. Mr. MACKENZIE: That is what I wanted to clear up.

Mr. STARR: Mr. White, would you mind reading from the Roman numerals, page 31?

Mr. WHITE: What is it you want read?

Mr. STARR: The paragraph headed "The National Section," and beginning "The Board of Engineers recommends—"

Mr. WHITE: Beginning "The National Section."

Mr. STARR: Yes, but two paragraphs down.

Mr. WHITE: What Mr. Starr wants me to read is something we put in before, but I have no objection to reading it.

Mr. McLachlan next dealt with the lake St. Francis section, the north side of which was half in the province of Ontario and half in the province of Quebec, while the American shore touches the lake just at the upper end. The drop between lake St. Francis and lake St. Louis was 82 feet. The first stage of the recommended plan would develop 400,000 h.p. on a 22 foot head by a dam across the river just above Cedars. The second stage consisted of diverting 67,000 second feet overland from the pool above Cedars village to the Ottawa arm of lake St. Louis, developing thereby 500,000 h.p. on a 78 foot head. The third stage would not be approached until the power previously developed had been marketed. This stage consisted of a dam across the river at Cascades island where a 54 foot head would be developed.

That was the proposal that was recommended as being the best for power. They next considered what should be done from the combined standpoint of power navigation, and, in that connection, it was believed that, rather than build a canal for navigation, around the south side of the section overland—a 15 mile overland canal—it would be \$8,000,000 cheaper to build a side canal on the north side of Coteau rapids whereby the Federal government could develop 40,000 h.p. above Cedars and leave to other agencies, provincial or licensed companies, the development of the other two stages as required. Mr. McLachlan felt there would be no reason for developing any more power than that in order to get the best navigation.

Is that what you want? I should have stated, Capt. Mackenzie, that there was the first application, which was dated March, 1927.

Mr. LENNOX: I was just going to point that out to you—a year before.

Mr. WHITE: Then, your first question to Mr. Henry appears on page 215, and I am now referring to your questions before the Senate committee on the 31st of March, 1928.

Hon. Mr. McDUGALD: Will you explain the purpose of that committee's investigation, please?

That is the grain elevator committee, and their report was in 1923.

Q. That was about the time that you first met Mr. Henry?—A. Correct.

Q. I think he told us that he met you in connection with that matter first? —A. That is correct.

Mr. WHITE: I do not propose to read the answers to those questions. They are available to members of the committee, and if there is any member who wishes an answer to a question, I shall be glad to read it. The next question is,

Hon. Mr. McDUGALD: Is there anything in that report to which you would like to draw special attention? The report is on file with this committee.

There is a long answer to that question on page 216. I am not giving it all, because there are interruptions and so on.

Hon. Mr. McDUGALD: Have you made an estimate of the saving which would result in the handling of grain by the St. Lawrence route to Montreal following the deepening of the St. Lawrence canals?

The answer to that question is very short, and is as follows:

Mr. HENRY: I have.

Hon. Mr. McDUGALD: Would you explain how you arrive at that?

And then Mr. Henry goes on to explain, and his explanation covers a page or so. On page 219 appears the next question:—

Hon. Mr. McDUGALD: Will you explain the facts controlling rates in the territory affected by the St. Lawrence Waterways?

and Mr. Henry's answer covers several pages, interrupted as he was by some of the members of the committee. The next question dealt with is on page 222, and it is this:—

Hon. Mr. McDUGALD: What effect would the deepening of the St. Lawrence have upon the traffic of the railways of Canada, Mr. Henry?

and Mr. Henry deals with that subject. Then, after lunch, Mr. McDougald says at page 225:—

Hon. Mr. McDUGALD: I think the last question was, what effect would the deepening of the St. Lawrence have on the traffic of the railways of Canada. Did you finish that?

Mr. HENRY: I did not quite finish the previous one, Senator, if you don't mind.

Hon. Mr. McDUGALD: You mean the controlling of rates?

Mr. HENRY: Yes.

and then he goes on. Then at page 227 I find:—

Hon. Mr. McDUGALD: Do you think the deepening of the St. Lawrence Waterways would benefit the western farmers, and if so, why?

and Mr. Henry explains how that would happen, and what benefit it would be to the western farmers.

On page 231:—

Hon. Mr. McDUGALD: In effect, the National Advisory Committee recommended that the United States government pay the whole cost of the International section, and that the Canadian section be undertaken at the expense of power; the Federal Government and thereby navigation being thus relieved from any expense other than that involved in the maintenance and operation of the canals after completion. Under these circumstances do you think that the completion of the St. Lawrence Canals would be in the interests of navigation?

Mr. HENRY: Oh, I do not think there is any question about it.

Then the next question:—

Hon. Mr. McDUGALD: Do you think that the deepening of the St. Lawrence Waterway would adversely affect the Port of Montreal? That is what Mr. Graham was asking you. Would you give reasons for it?

Then Mr. Henry answers. On page 231, the next question was:—

Hon. Mr. McDUGALD: The next question was, what benefits do you think would accrue to the tributary territory by reason of the power developments which would result?

Mr. HENRY: That is rather a poser.

Then he goes into that question introducing what happened in the State of New York and elsewhere; and on page 232:—

Hon. Mr. McDougald: The last question I have, Mr. Henry, is: in your opinion, should the improvement of the St. Lawrence Waterway be gone on with as soon as possible, and, if so, why?

Now, I have, so far as I have observed—

The CHAIRMAN: What was Mr. Henry's answer to that question?

Mr. WHITE:

Well, as I stated this morning, the capacity of the existing canals, being within measurable distance of being reached, and inasmuch as any improvement undertaken would involve several years before it could be in operation—

Rt. Hon. Mr. GRAHAM: You mean by "improvement" the development?

Mr. HENRY: Yes.

Rt. Hon. Mr. GRAHAM: The waterways scheme?

Mr. HENRY: The waterway development. The full effect of the waterway in a reduction in rates, on account of its having reached its capacity, will not obtain. Some relief will have to be provided.

Rt. Hon. Mr. GRAHAM: In the meantime?

Mr. HENRY: I mean it would have to be started right away.

Rt. Hon. Mr. GRAHAM: If the waterway development scheme is approved and goes on, in the time that will elapse between now and the date when that will become available we shall have to make certain improvements on our own canals to take care of the increase in traffic?

Mr. HENRY: It might be desirable to do that, Mr. Graham.

Rt. Hon. Mr. GRAHAM: You need not answer these questions unless you like—

Mr. HENRY: I do not know what improvements of that kind would cost.

Right Hon. Mr. GRAHAM: We had that fairly well from Colonel Dubuc this morning. There is a factor that has arisen in our discussion. You and Colonel Dubuc and these other gentlemen have been giving us just the information that we have been after about these things. . . .

WITNESS: That is correct. That is what I was trying to bring out.

Mr. WHITE: Why do you interrupt me?

WITNESS: Just to bring out the point I made before. That is why I brought Mr. Henry and Colonel Dubuc there.

Mr. WHITE: You are not assuming then only the role of a witness here.

WITNESS: I am assuming you want the truth here.

Mr. WHITE: I will be obliged if you do not interrupt me in the middle of a paragraph.

WITNESS: All right, sir.

Mr. WHITE: (Reads):—

. . . .The question has arisen as to the complication that may arise on account of the development at Oswego, or, say, at Albany, both as to water transportation and as to short mail haul. Now, what is your view of that as it has an effect on our development of the St. Lawrence Waterways?

Mr. HENRY: Due to the improved facilities provided, in elevator capacity, both at Montreal and at Port Colbourne, we have been able in these last few years to influence the traffic through that canal, be-

cause it is demonstrated to the shipping world that it is a reliable channel. If anything happens to congest it, it is altogether probable that the grain will find other outlets and that it may be rather difficult to get it back. That is just a general statement. With regard to Albany—you refer to Albany—I was down there last summer for the purpose of seeing whether any development was going on, and I found that the port authority of Albany—I am not sure of the exact title of the body there—were engaged in some dock construction, and I was told then that some funds had been provided by the United States Federal Government for dredging the river. If my memory serves me right, the distance from Oswego to Albany is something like one hundred and eighty miles.

Right Hon. Mr. GRAHAM: It was stated that the distance was one hundred and twenty miles, but I thought that was a little short.

Mr. HENRY: But the idea the interests down there have is that it would permit of a tramp movement. A tramp movement, on account of the great expense in getting into the Port of New York, was rather out of the question, but if a tramp could come up to Albany and unload a cargo there, it is contended, and I am inclined to agree with it, that they could successfully compete with the New York movement, on account of this difference in haul. You see, the difference in rail haul is probably two hundred miles.

Right Hon. Mr. GRAHAM: That is rail haul?

Mr. HENRY: Yes, rail haul.

And then quite a discussion takes place about that. I will read it if the committee desires.

The CHAIRMAN: No.

Mr. WHITE: I will give you the result of it. At page 235, Senator McDougald asks:—

Hon. Mr. McDUGALD: Just to clear up a point that was not cleared up this morning to my satisfaction, I want to ask this: the Soulages Canal has a capacity now of 14,000,000 tons; the Cornwall Canal and the Morrisburg Canal are the weak links; supposing that money was spent to bring the Cornwall and Morrisburg Canals up to the capacity of the Soulages Canal, in your opinion how long after that would we reach the peak capacity, at the present rate of traffic?

Mr. HENRY: I should think about 1938 would be a reasonable date.

That has not any significance, of course?

WITNESS: No, not a bit.

Mr. WHITE: No, none whatever.

The CHAIRMAN: At this juncture I want to clear a point. Senator McDougald, on May 20, 1931, before the Orders of the Day in the Senate—and I am reading from Senate Hansard—you made a speech, I hope I will not tire you with this speech, but I will have to read a part of it:—

Honourable members of the Senate, before the Orders of the Day, I rise on a question of privilege. According to the newspapers of this morning my honour and integrity as a member of this House have been attacked in another place, and I desire to draw attention at once to a statement which I made in the Senate in April, 1928, regarding my position in the much-discussed Beauharnois Power Company. Newspaper articles had reflected on myself and other members of the National Advisory Committee reporting on the St. Lawrence Waterways. It was

insinuated that our decisions and recommendations were influenced by personal interest in power developments on the St. Lawrence. In this House I stated at the time that I had no interest in the Beauharnois Power Company or in the syndicate. That was absolutely true and correct. I may say at once that up to that time

that is April, 1928.

. . . . I had been invited on many occasions to become a member of that syndicate, but had always declined. After that date I was asked again, and had the whole project investigated from every angle. When I was satisfied that it was a proper project for me as a member of this Senate, as a business man, and as a citizen of Canada, to take a financial interest in, I agreed to do so. Some six months later, in October, 1928, I took an interest in the Beauharnois syndicate.

By the Chairman:

Q. That is not a correct statement, Senator, I suggest to you?—A. I suggest, sir, that it is a correct statement.

Q. Then your evidence yesterday was wrong, because you bought from Sifton in May?—A. I did not appear in it until October. Mr. Ebbs was my representative in October, and I became active in it in October.

Q. Is that your explanation for that statement?—A. That is my explanation for that statement. I was in the syndicate—

Q. Why, of course you were in the syndicate; here is your evidence?—A. The end of May, 1930, and not when I made the speech in the Senate.

Q. You say in your speech distinctly that in October, 1928, you first took an interest in the Beauharnois syndicate. Yesterday in your sworn testimony you admitted that you had purchased from Sifton in May, 1928?—A. That is correct.

Q. I suggest to you that your statement in the Senate was entirely wrong?—A. It may have been ambiguous, but it was not wrong. What I meant was I came into it in October through Mr. Ebbs. That is the first time I came into it.

By Mr. White:

Q. Let us have no ambiguity about this. I am, from your recollection, correctly quoting from the record of questions that you asked Mr. Henry on that occasion, am I not?—A. I thank you very much for bringing out the answers.

Q. Don't thank me.

Mr. JACOBS: Just doing your duty.

Mr. WHITE: Yes.

Hon. Mr. MACKENZIE: In your usual impartial way.

Mr. WHITE: I am glad of that commendation from the left wing.

By the Chairman:

Q. Just before you go on with that, Mr. White, I want to complete the question I was putting to the Senator a moment ago. While you were making this ambiguous speech, as you call it now, in the Senate on the 20th May, 1931, of course, you were interested with Mr. Henry in the Sterling Industrial Corporation?—A. That is right.

Q. And this is what your partner says at page 575 of the evidence, taken before this committee. He was asked this question:—

By the Chairman:

Q. Let me put it this way, Mr. Henry: when you filed your application did you feel that you had any right over anybody else to be favour-

ably considered by either the Province of Quebec or the Dominion Government?—A. Well, as I explained, Mr. Gordon, I did not think that I had any right so far as the Province of Quebec was concerned, because I had proceeded upon the hypothesis that the Federal Government probably had in mind developing this power itself, and therefore if the Provincial rights question was to be dealt with, it would be dealt with by the Federal Government; so I made the application to the Federal Government, and even so far back as 1928 I was not sure in my mind whether the Federal Government or the Provincial Government had the right.

Q. Am I right in this, Mr. Henry, that you having the knowledge that you did of the possibilities in this section, took the steps that you described of placing an application on record with the Dominion Government and at the time knowing that others were interested in the project as well?—A. Oh, yes.

Q. And you did not propose to let anybody else go on and develop that without taking care of Henry and McDougald?—A. Well, that is probably one way of putting it, Mr. Chairman.

Q. Have you any quarrel with that?—A. I have no quarrel with anything Mr. Henry said, but I am not responsible for anything he said.

Q. Do you agree with that?—A. I would not agree with that as far as I am concerned. I had nothing to do with it. That was Henry's idea about it, not mine.

Q. He was your partner?—A. That is open to some question at that time.

Q. What?—A. There were no activities whatever in the Sterling Industrial Corporation from 1923 up to 1928. I had nothing in my mind about it at all. It was dormant, as far as I was concerned.

Mr. LENNOX: It was incorporated in 1924.

The WITNESS: That is all right. It was inactive.

By Mr. Chairman:

Q. I suggest to you that 1928 was the time when the stage became set?—A. Late in 1928.

Q. Yes?—A. Yes.

Q. And then you do not suggest that you had disassociated yourself from Henry, because he was your partner?—A. The stage was not set at all. I was his partner to the extent that I had financed him.

Q. You were a partner with him?—A. If that is being a partner, I was.

Q. And the Sterling Industrial Corporation was revived and Henry said in his evidence that he did not propose to let anybody else come in and develop without taking care of Henry and McDougald. Is not that a fair statement?—A. That was his statement. As far as I am concerned, he did not consult me as to whether he would take care of me. But I was satisfied that Henry would take care of himself.

Q. Oh, yes, but you were taking care of Henry?—A. Yes, but he was prepared to continue with other influences whether I went on with him or not, which he so stated.

By Mr. Lennox:

Q. Listen to this from the evidence of Mr. Henry, page 571:

After my first meeting with Mr. Swezey I considered the situation, studied what he told me about the prospects and so on, and met him two or three times and became somewhat interested in his ideas and his imagination, and finally—I would guess this to be around the 1st of December—Senator McDougald—

By Mr. Lennox:

Q. What year?—A. 1928. And Senator McDougald asked me whether I would consider merging my interests with the Sweezey group. Well, I took that matter into consideration and shortly thereafter told him that I thought I would. He then asked me what I thought the value of the Sterling Industrial Corporation was. Well as more or less of a gamble, but based upon the consideration that I thought I knew as much about the possibilities of that section as anybody else in Canada—and certainly I thought I knew as much about it as Mr. Sweezey—I made the suggestion that 2,000 part-interests would be fair remuneration for myself and Dr. McDougald for the Sterling—

Is that correct?—A. That is what he told me, yes.

Q. But did you suggest the merging of the Sterling Industrial with the Sweezey interests?—A. I did. I thought it would be in the best interests of the Sweezey interests to take over the Sterling Industrial.

By the Chairman:

Q. Why?—A. Well, the chief reason was that I wanted Mr. Henry in the organization. I did not want Mr. Henry to get into any other—

Q. Don't you think you could have got him in without taking over the Sterling Industrial?—A. I don't think so.

Q. What right had the Sterling Industrial?—A. Well, Mr. Henry had started the Sterling. It was his creation.

Q. Why, the very plan attached to your application was taken from the plan attached to the file in the Department of Railways and Canals. It was taken from a tracing made by officers of the Department of Railways and Canals, and it is so indicated on the legend on the plan?—A. I suppose anyone else could have got the same plan if they had wanted it.

By Mr. Lennox:

Q. It shows Mr. Henry's influence could not have been very great?—A. I was not talking about his influence at all. I was thinking of Mr. Henry as a man and an engineer and a man of capacity.

By the Chairman:

Q. Is it fair to say that you were riding in on Henry's back?—A. I do not think we were riding in on either one of us.

Q. Well, you are putting it up now on account of Henry's special knowledge, that the Sterling Industrial had to be taken in?—A. That was one of my reasons for—

Q. Was that your only reason?—A. No. I thought it would be altogether in the interests of the company if it could acquire this company and its rights, whatever it might have—

Q. Do you not think you could have acquired it by merely saying to the Department— —A. I don't think I could. I never tried.

Q. Let me sum it up this way: In receiving your half interest in the consideration that was paid for the Sterling Industrial you were hesitant, an unwilling recipient of it?—A. I would not say that for a minute.

By Mr. Lennox:

Q. Let me put it another way, in view of your evidence yesterday: You and Henry each owned a half interest in the Sterling Industrial save five stenographers— —A. That is quite correct.

Q. —who had each been issued one share?—A. Who had been issued one share.

Q. And you suggested yesterday that the reason, or one of the reasons that may have prompted the Beauharnois to give you 2,000 part-interests was because some people in the Department, some of the officials in the Department might hold it up?—A. No, I did not say that. I did not say anything of the kind.

Q. What did you say, might delay it then?—A. No, I did not even say that.

Q. Well, what did you say?—A. I said in that connection that everyone knows, who has had anything to do with the Departments, that it takes a very little thing to hold up a project of that kind.

Q. How in the world would anyone be interested in holding it up if you and Henry, who were the sole proprietors, if I might use that word, did not want it held up; you could abandon it in one hour?—A. If Henry had taken in other interests, if he had left me out of it and had taken in Dillon-Reid, for example, I would have had no hold over Mr. Henry.

Q. Henry wanted to come in, according to his evidence?—A. Into what?

Q. The Beauharnois.—A. Well, he went down to New York and saw Dillon-Reid, and he told me that they were willing to finance him in any power project which he would bring to them.

Q. But they never went ahead with it?—A. I know, but Mr. Henry was quite prepared to go on with other people if he saw fit, and I thought that would be bad for everybody.

By the Chairman:

Q. Why?—A. Because it might delay the whole thing, and the fact of getting under way was one of the reasons, and I might say I thought the Beauharnois company should be interested there, in, so to speak, the first wedge in the deepening of the St. Lawrence Waterways.

By Mr. Lennox:

Q. Let me read to you what he says. You say you were afraid of Dillon-Reid getting possession of Henry and his ability. I am reading from page 571:

By Mr. Gardiner:

Q. And during all this time while you were making the investigation were you financed by Senator McDougald?—A. No. There were no expenses involved in it except incidental expenses that I paid out of my own pocket. I did all the work myself.

This would be back in 1923?—A. Yes.

Q. Then:—

I did interview some Boston banking houses with a view to seeing whether they would be interested in a project of this kind or not, and through some friends of mine in New York I got in touch with Dillon Reid, and went over in a general way the characteristics and possibilities of that section.

That is all he says about Dillon Reid?—A. That is quite sufficient to know he was interested in getting someone else to go in with him if I dropped out.

Q. Not a suggestion that they would take any interest in it?—A. They would make a proposition at that time to take a definite interest in it.

Q. I suppose Mr. Henry thought in 1923 that they would?—A. It was not in 1923. It was in 1928.

Q. Oh, no. Excuse me. The question is:—

And during all this time while you were making investigations were you financed by Senator McDougald?

And he says no. And you did finance him in 1924, and you did finance him in 1925. He says he got \$10,000 altogether. You did not finance him at the beginning, you swear to that?

Mr. MONTGOMERY: Read the top line, Mr. Lennox, and you will see it is 1928.

Hon. Mr. MACKENZIE: Read back a little further, Mr. Lennox, and you will see it is in 1928.

Mr. LENNOX: That is the interview with Sweezey, which had nothing to do with Dillon Reid, so it must have been 1924.

By Mr. Lennox:

Q. Then just to clarify the air and get it in chronological order, it was in 1923 that you first became associated with Mr. Henry and agreed to finance him up to \$10,000, and in 1924 the Sterling Company was incorporated, or an application was made?

Mr. WHITE: Incorporated 5th July, 1924. There were two applications, fifth and seventh, one to the Public Works and the other to Railways and Canals.

By Mr. Lennox:

Q. Then you say that the company remained dormant until 1928?—A. That is right.

Q. Yes. On the 11th of January, 1928, the National Advisory Committee made a report and the majority of the committee recommended that the work be done by private agencies?—A. In the province of Quebec.

Q. Yes, in this section?—A. Yes.

Q. Then after joining in that report, within four months you became the owner through Sifton of 800 shares which afterwards became 1,600 shares?—A. I was no longer a member of the National Advisory Committee.

Q. No, no. I say after making that report, because the committee had done its work and I suppose that is all there was to do,—but four months afterwards, at all events, you became the owner of these shares?—A. Correct.

Q. And then in the Senate on the 31st of May you——A. The 19th of May.

Mr. WHITE: Are you referring to the Senate committee, sir.

Mr. LENNOX: Yes.

Mr. WHITE: The 31st of May.

Mr. LENNOX: That is the report of the Senate committee, June 7th.

By Mr. Lennox:

Q. Now then, just going back for a moment, the Beauharnois had made an application in March, 1927, and a second application on the 17th of January, 1928, which was immediately after——A. Of which I had no knowledge whatever.

Q. I am just giving you the facts, which was immediately after the National Advisory Committee had recommended that this work be done, and three or four months afterwards you acquired the Sifton shares. That is correct, is it not?—A. I think that is correct.

Mr. STARR: Mr. Lennox, the National Advisory Committee had before them the report of the International Board of Engineers on the north section of the St. Lawrence. You will find that that was all they considered, that is, the International Board of Engineer's report which was on the north section.

Mr. LENNOX: The report which I read refers to this section.

Mr. STARR: No.

Mr. LENNOX: I am not interested in the north shore at all.

Mr. STARR: You mean to say that the report of the National Advisory Board referred to this Beauharnois section.

Mr. LENNOX: This is a report that was signed, and concurred in by Senator McDougald:—

We believe that the first concern of this committee should be, and of the government will be, the national aspects of the proposed undertaking, and we regard it as most desirable that the initial development take place in the purely domestic section of the river lying within the province of Quebec.

Mr. STARR: That is it,

of the river lying within the province of Quebec,

not the Beauharnois canal.

Mr. LENNOX: Then:

We believe that if a reasonable time were permitted in which to enable the resultant power to be economically absorbed the development of this national section would be undertaken by private agencies able and willing to finance the entire work, including the necessary canalization, in return for the right to develop the power.

Mr. STARR: Now you will see, if you read the order appointing the board, it refers to the report of the International Joint Board of Engineers, and while you read "in the River St. Lawrence" that is the north section. This Beauharnois canal is not in the River St. Lawrence at all.

Mr. LENNOX: Why do you say it is the north section?

Mr. STARR: The International Joint Board of Engineers' reports, which they had before them, were all dealing with that.

Mr. LENNOX: Mr. Henry said the only thing he was interested in at all was the power question. He said that in his evidence, and he is the man who gave the evidence before the National Advisory Committee.

Mr. STARR: Just wait a second till I read this. "January 5, 1928." I am reading from Roman numeral page 15 of the Senate Committee:

Complete report, with appendices and detailed plans finally available and the National Advisory Committee called to consider the proposals.

That is what they were called for. They had nothing to do with the Beauharnois at all.

Mr. LENNOX: Do you suggest that the National Advisory Committee were not at all interested in this part of the river?

Mr. STARR: If they were interested in it they never reported on it, that is my point.

Mr. LENNOX: What do you think these private agencies were going to do?

Mr. STARR: That was on the north section.

Mr. LENNOX: Build a canal on the north section.

Mr. STARR: Yes.

The WITNESS: Mr. Lennox, may I just say a word?

Mr. LENNOX: Certainly.

The WITNESS: The committee suggested in their report to the government that the Quebec section, or the International section should be done by private interests. We knew perfectly well that in that section, on the north side of

the river, the Cedars Rapid company was there, owned by the Montreal Light, Heat & Power Company, and that the Shawinigan Company were there with a development of their own, and we knew the feeling of the province of Quebec regarding private ownership versus public ownership, and we knew that nothing could be done in that section of the river, quickly at least, unless it was done by private corporations. It might have been done by the Montreal Light, Heat & Power Company, and that was really the recommendation that the engineering body made in their report. They did not report on the Soulanges section at all.

By Mr. Lennox:

Q. I understood you to say that when this report was made you had in your mind the Shawinigan, because they were first?—A. Because they had an interest in the river and so had the Montreal Heat and Power Company. It had no reference whatever to the Soulanges section.

By the Chairman:

Q. Referring to the report of the Canadian National Advisory Committee, there was a minority report as well?—A. Yes, there was, Mr. Chairman.

Q. Referring to page 27 of the minority report, signed by Beaudry Leman and Adelard Turgeon, this is stated:—

It would appear of great importance that the Crown retain permanently its proprietary rights in all the improvements connected with this vast undertaking and pertaining to both navigation and power development. It is not difficult to visualize the immense value to Canada of retaining the control and disposal of such a large amount of hydro-electric energy admirably situated and which may be advantageously developed.

Do you disagree with that?—A. Yes, naturally.

By Mr. Jacobs:

Q. Is it not a fact that both Mr. Beaudry Leman and Mr. Adelard Turgeon were largely interested in the Shawinigan Power Company?—A. They were both directors.

Q. And the value of their evidence would be largely destroyed by that fact? (No answer).

By the Chairman:

Q. With you on the one hand representing the Sterling Industrial Corporation— —A. I protest that I was representing no company whatever, sir.

Q. Well, interested in it?—A. That is different from "representing" it.

Q. You were interested in the Sterling Industrial Corporation at this time? —A. I did not think I was; I did not consider the Sterling Industrial Corporation worth anything.

Q. What nonsense. You—

Mr. JACOBS: You said yourself, Mr. Chairman, that in 1928 the Sterling Industrial Corporation was merely a sham organization which amounted to nothing at all, and the witness has adopted your view of it.

The CHAIRMAN: That is a sinister refinement.

Mr. JACOBS: There is nothing sinister about it.

Hon. Mr. MACKENZIE: There have been lots of sinister refinements manifested during the proceedings of this committee.

Mr. STARR: May I—

The CHAIRMAN: Please let me proceed.

Q. If anybody owned the Sterling Industrial Corporation at the time the report was made it was you and Henry?—A. What there was of it.

Q. What there was of it, you and Henry owned?—A. That is right.

Q. So that while sitting on this committee and joining in the majority report you were interested to that extent personally?—A. If you can call it being interested; I never thought about the Sterling Industrial Corporation at all in any way, shape or form.

Q. When you were sitting upon this committee and when you joined in the majority report you were interested personally and privately to the extent that you were interested in the Sterling Industrial Corporation?—A. That is right.

Q. And Beaudry Leman and Adelard Turgeon, who signed the minority report, were, you say, interested in Shawinigan and some other properties?—A. I did not say that. I said they were directors of the Shawinigan Company.

Q. I suggest to you this: What possible chance did Canada have? (No answer).

Mr. JACOBS: Oh, I do not think our Reference is quite as broad as that, Mr. Chairman.

The WITNESS: I will tell you the chance that Canada had: By the Beauharnois project Canada is getting a canal for navigation for nothing which would otherwise cost them \$10,000,000 to \$16,000,000. That is the chance Canada is getting.

Mr. STARR: May I make my suggestion now?

The CHAIRMAN: Yes.

Mr. STARR: It is that the report of the Canadian National Advisory Committee, based on the development of the north section of the St. Lawrence—

Mr. WHITE: What do you mean by the "north section"?

Mr. STARR: The north side, if you like—and pointing out the feasibility of that proposition made by the majority of the committee, in which Senator McDougald joins, was directly against either the Beauharnois or the Sterling Industrial Corporation applications.

By Mr. White:

Q. Then, Senator McDougald, just to pursue for a moment the subject opened up by the Chairman in reference to your speech of May 20, 1931, in the Senate, let me quote from the official report—unrevised edition—of the debates of the Senate on that day, following what the chairman quoted to you some time ago:—

I may add that I put into the syndicate dollar for dollar with every other member of it. . . .

Did you say that?—A. That is right.

Q. Is it true?—A. That was my conception of it, yes. I put into the original syndicate \$190,000.

Q. You did not say "in the original syndicate." Let me read it to you again so that you may consider it before you answer it:—

I may add that I put into the syndicate dollar for dollar with every other member of it. . . .

A.—That was my feeling at the time.

Q. As a matter of fact, you had not put in dollar for dollar in the syndicate with every other member of it?—A. It depends on the value that Swezey put on the Sterling Industrial Corporation.

Q. Or the "nuisance value" that you were able to—?—A. It was Sweezey's business; he was the purchaser, and it was his business to say what that was worth.

Q. Oh, no; Sweezey was not the purchaser? (No answer.)

By the Chairman:

Q. Both Sweezey and Griffith testified that it had no tangible assets?—A. Why did they buy it?

Q. That is what we want to know?—A. That is for them to explain, not me.

By Mr. Lennox:

Q. They might have thought that the fact that you were a Senator might help them?—A. That also would be their business, not mine. When I made that statement I considered it absolutely correct.

By Mr. White:

Q. You now know it is not correct?—A. I do not know that.

Q. Do you persist in the correctness of that statement?—A. Yes.

Q. Let me read to you from page 905 of the report of your evidence yesterday:—

By the Chairman:

Q. Then what was worth something?—A. The application that was in there. I do not know the technical term for it, but I understand and did understand that it made it impossible for any other company to come in and get any rights through unless that was removed. Now, it had a nuisance value.

In the face of that answer of yours, do you still persist that your statement was correct?—A. I do.

By the Chairman:

Q. That you put in dollar for dollar with the rest of them?—A. Yes, value for value, I meant.

By Mr. White:

Q. You said "dollar for dollar"?—(No answer.)

Q. You said:—

I may add that I put into the syndicate dollar for dollar with every other member of it. . . .?

A. Yes.

Q. As a matter of fact, Mr. Frank Jones had put in \$190,000 in real money?—A. So had I.

Q. And in addition to that you had put in the Sterling Industrial Corporation for two thousand part-interests?—A. Which had no value at all—

Q. Which had no value—?

Hon. Mr. MACKENZIE: Let the witness finish his answer.

By Mr. White:

Q. Finish your answer?—A. I say when the Sterling Industrial Corporation was taken over by the Beauharnois Company Mr. Sweezey and Mr. Griffith, both of them who bought it, were the ones to put the valuation on it, and they thought it was worth two thousand part-interests; it was not paying cash; it was an exchange of shares.

Q. What were they buying?—A. The Sterling Industrial Corporation, for whatever they thought it was worth. It was for them to say what it was worth. I was not buying it.

Q. You had it to sell?—A. That makes no difference.

By Mr. Jacobs:

Q. They were not giving money, but exchanging shares?—A. Yes, sir.

By the Chairman:

Q. Shares which represented money?—A. Not at that time.

By Mr. White:

Q. Which people were paying money for, at \$100 a share?—A. Yes, but who would say whether the shares were worth \$100 or not?

By the Chairman:

Q. People were paying for them?—A. You could not take those shares and raise any money on them.

Q. It was not very long before the trust companies and the banks were advancing huge sums?—A. Only after they got contracts from the Ontario Hydro Electric Power Commission and the Montreal Light, Heat and Power Company; otherwise it would not have been worth a dollar of financing.

Q. You got the approval at Ottawa. If order in council No. 422 had not been passed you could not have entered into any contracts?—A. Quite correct; but neither of those shares would have been worth a dollar if they had not had those contracts from the Montreal Light, Heat and Power Company and the Ontario Hydro Electric Power Commission.

Q. Do you want to revise your answer, that you put in dollar for dollar?—A. I considered it correct when I made it at the time.

Q. Is it still correct?—A. Yes, still correct.

By Mr. White:

Q. Are you contending that the Sterling Industrial Corporation had any real substantial value? (No answer).

Mr. LENNOX: Yes, because he said he put in dollar for dollar.

By Mr. White:

Q. What is your answer?—A. Of course I do.

Q. What was the value?—A. Sweezey can tell you that better than I can.

Q. I am asking you?—A. It is for him to say what it was worth, not me.

Q. Point out to me one single dollar of value there was in the Sterling Industrial Corporation?—A. That is a question that would be difficult for anybody to answer.

Q. I should think so. Are you content to leave your answer there?—A. Yes, I am.

Q. Then I am content.

By the Chairman:

Q. I am not content. I want to read from your evidence given yesterday at page 905:—

By the Chairman:

Q. You say your application had a nuisance value?—A. Yes.

Q. Elaborate on that, please?—A. I cannot, any more than say I was told at the time that no other applicant could get any consideration from any Department until the prior application was removed?

A. That is correct.

Q. You were holding them up?—A. No, sir; I was not holding them up.

Q. Well, you were not helping them up?—A. I was not holding them up.

By Mr. White:

Q. What else were you doing?—A. You have no right to insinuate that I was holding them up.

Q. I am insinuating that the only thing you had of any value was an obstacle in the way of their application?—A. That is for Sweezey and Griffith to say, not me.

Q. What I am asking you to say is what other value there was?—A. I have already said what I thought the value was.

Q. What was it?—A. What the chairman has quoted.

Q. In other words, that you were in a position to stand in the way of their application?—A. I was not in their way.

Q. Where were you?—A. Where I always have been, with the Beauharnois Syndicate.

The CHAIRMAN: Sitting pretty, that is where he was.

By Mr. White:

Q. Let us get at it. Can you suggest to me one single penny of value that the Sterling Industrial Corporation had to the Beauharnois Syndicate other than the removal out of the way of Henry and yourself? (No answer).

Mr. JACOBS: I suggest to you that Mr. Sweezey took over both Henry and the witness.

Mr. WHITE: I would have much preferred the witness' answer.

The WITNESS: I had that in mind to say, but I am too modest to say that perhaps they thought I would be of some value.

By Mr. White:

Q. What was your value?—A. I do not think any value at all.

Q. So that disposes of you?—A. Yes.

Q. So that you got a lot of money for no value at all?—A. Excepting that Sweezey thought that perhaps I could help him to finance the future of the Beauharnois Company if I was in there.

Q. But you already—

By the Chairman:

Q. But neither you nor Henry were to get your part interests—

Hon. Mr. MACKENZIE: You should object to the chairman's interruption also if you are going to be consistent.

Mr. WHITE: I am not going to let that remark go by.

Hon. Mr. MACKENZIE: It does not matter to me whether you do or not.

Mr. WHITE: Mr. Jacobs was not asking a question but answering a question.

Hon. Mr. MACKENZIE: And doing what other members of the committee have done all through these proceedings.

Mr. JACOBS: I apologize if I interrupted you.

Q. May I ask how much money you have invested in the company now?—A. I put \$190,000 in the original syndicate, and in October or July of 1929 I took on a commitment of \$1,000,000.

Q. \$1,000,000?—A. Yes.

Q. And that is what you were committed for to the Beauharnois Light, Heat and Power Company?—A. No. I took over interests that were being

offered at the time of the Jones controversy. Sweezey came to me and asked me if I would help to finance these interests, and I took on a commitment in July, 1929, amounting to \$1,000,000.

Q. You had something more than a nuisance value to the company, had you not?—A. I considered I could help them in some way.

By Mr. White:

Q. And at the very time the company took over the Sterling Industrial Corporation you were interested in the Beauharnois Syndicate?—A. Yes. That was why—

Q. So they had you, anyway?—A. Mr. Sweezey did not know that. That was why I was—

Q. And I suppose you did not tell them?—A. No. That was why I was particularly anxious to get Mr. Henry in there.

Hon. Mr. MACKENZIE: A pretty good poker game, I think.

Mr. WHITE: That is a game about which I am not able to say anything, of course.

By the Chairman:

Q. When you say you took on a commitment of \$1,000,000, what do you mean?—A. I undertook to purchase two thousand part interests at the time Jones was offering his interests to Sweezey.

Q. Whose part interests were they?—A. They belonged to Oscar Dufresne and Joseph Simard.

Q. Did you actually put up \$1,000,000?—A. No; I put up \$100,000 for the option on them, and had to finance them afterwards and did so through the Montreal Trust Company; I do not own the shares now.

Q. But you did not put up \$1,000,000?—A. I took the obligation on, which is equivalent to doing so. I would have had to take them up if I had not been able to sell them later.

Q. But the only money you put up was \$100,000?—A. Yes.

By Mr. White:

Q. And you got them back?—A. The only point I am making about that is that my interest in the company was such that I was prepared to take on \$1,000,000 if necessary, and I put up \$100,000 at the time. As it turned out afterwards, the shares were taken over by other interests, and I did not have to put up the \$1,000,000 commitment.

By the Chairman:

Q. And to-day you have got your money back that you put into it?—A. Yes, of course.

Mr. JACOBS: All's well that ends well.

By the Chairman:

Q. You got your profit?—A. That is why I went into it, to get a profit.

Q. That is why you started in at the beginning, in the hope of profit?—A. In 1923, yes, before I had anything to do with the Senate or the National Advisory Board.

Q. Right from 1923 on, you were expecting a profit?—A. Well, I didn't have much hope for profit from the Sterling Company because it was dormant, as I say, from 1924 until 1928.

Q. Who were the shareholders from 1924 to 1928?—A. Who were the shareholders?

Q. Were they five stenographers?—A. They were five stenographers.

By Mr. Jacobs:

Q. That company from 1924 to 1928 was sleeping?—A. In a lawyer's office.

Q. In the office of McGiverin, Haydon and Ebbs?—A. Yes, that is correct.

The CHAIRMAN: It was sleeping.

Mr. WHITE: It woke up once a year, Mr. Jacobs, to file annual returns.

Mr. JACOBS: Yes, once a year they woke up.

The WITNESS: I suppose that is a customary practice, Mr. White, in a lawyer's office?

Mr. WHITE: I do not know anything about that.

The WITNESS: Well, I do.

Hon. Mr. MACKENZIE: Mr. White does, too.

Mr. WHITE: I am not an office lawyer.

Mr. STARR: You were referring to the Sterling company as being incorporated by five stenographers. That is not quite true. Mr. Ebbs was the president of the company, according to the documents filed, and I do not know whether this would be slanderous against Mr. Ebbs or not.

By Mr. White:

Q. Then Mr. McDougald, looking at the debates of the Senate, 19th April, 1928, I see you are reported to have said:

Now, let me deal with a despatch which appeared in the Toronto Mail and Empire also on April 18, and similar to that of the Globe, with the exception, perhaps, that where the Globe "reputes" the Mail and Empire "suspects":

"That the report was written by Senator McDougald, Sir Clifford Sifton and Thomas Ahearn is believed, and the other members of the committee played unimportant parts and did not influence the decision. These three capitalists are either known or suspected of being interested in power schemes——"

The WITNESS: That is correct.

By Mr. White:

Q. Now, the Mail and Empire and the Globe, whether it was suspicion or refutation, were correct to the extent in which you were interested in the Sterling?—A. I did not consider that I was in any power scheme at all by virtue of the Sterling company. When I made that statement I didn't even have the Sterling company in my mind. I had forgotten entirely about it.

Q. Then, a month after that you got the Sifton interests?—A. That is right, or two months, perhaps.

Q. And did you say you paid to Mr. Sifton \$30,000 for these shares?—A. Yes, sir.

Q. Did you pay by cheque?—A. No, sir.

Q. How did you pay it?—A. In bonds.

Mr. JACOBS: You must have been acquainted with Mr. Aird.

The WITNESS: No, it was a very common thing.

Hon. Mr. MACKENZIE: It is a new practice.

By the Chairman:

Q. To whom did you deliver the bonds?—A. They were delivered by my attorney and by my financial man at my office.

By Mr. White:

Q. Who was your attorney?—A. Mr. C. A. Barnet.

By the Chairman:

Q. To whom were they delivered?—A. To Mr. Sifton himself.

Q. That is Winfield Sifton?—A. Yes.

By Mr. White:

Q. Why did you not get then and there an assignment of his interests?—

A. Because Mr. Sifton did not want his name should appear in the transaction at all. He did not want it known that he had anything to do with the Beauharnois company.

Q. But his name—

Mr. STARR: Let him answer.

Mr. WHITE: I know, but for goodness sake, I should like to end the answer somewhere.

Mr. STARR: You are interrupting him.

Mr. WHITE: Your client is continually making, what seems to me to be superfluous answers.

The WITNESS: You asked me, Mr. White, and I am trying to tell you why.

Q. What I want to point out to you is that Mr. Sifton never appeared in the transaction.—A. That is quite correct.

Q. And that the transaction to transfer from Mr. Moyer in your name—after the first of April those part-interests could have been transferred to you without the intervention of Mr. Sifton at all?—A. I—

Q. Without the same— —A. It is not—

Q. Without Mr. Sifton's name appearing?—A. The reason for that was that I did not want my name to appear at the time.

Q. Why?—A. For one reason, I did not want to take on the commitment, at the time the other interests were coming due, the other syndicate, that is 30,000 shares, which were closing out the first syndicate.

Q. At that time?—A. I do not mind taking 30,000 shares or \$30,000, but that was 1,600 part-interests which would have been fully paid up at the close of the syndicate, the next payment that had to be made was on the first of June or thereabouts for \$16,000.

By the Chairman:

Q. \$16,000?—A. Yes; that was the next one, on the next syndicate.

Q. You do not mean \$16,000?—A. Yes, 10 per cent which was the first call. The commitment was around \$160,000.

By Mr. White:

Q. That was not transferred to you by Mr. Sifton?—A. No, sir. That was still kept in the name of Moyer.

Q. Moyer subscribed for those 1,600 on your instructions and not on Mr. Sifton's?—A. No, on Mr. Sifton's instructions.

Q. So that Moyer, apparently, was in the dark as to who owned the shares from the middle of May until he transferred them to Ebbs?—A. That is correct, or until, as he stated the other day, he had instructions from Mr. Sifton if anything happened to him, to consult with me.

The CHAIRMAN: Mr. White, allow me to interrupt there. The Senator said he had some other reason for not wanting to go into this thing. He gave us one reason, and perhaps he has some others.

The WITNESS: The other reason was, I did not want any other people to come into the Beauharnois Power project because I was in it.

Q. The same reason as Senator Raymond gave?—A. Practically the same reason. I have been in many things that have been failures, and I have had many people come in because I was in it—I am not saying that egotistically at all—they had been failures, and I did not want anyone to come into anything that I was in, but I was willing to take a gamble, take a chance to lose. Further than that, there was a third reason; I did not want anybody at Ottawa to know in the government—I never mentioned it to anybody, any member of the government—that I was in the Beauharnois power syndicate—

By Mr. White:

Q. Not because you were afraid they would give you away?—A. No, not at all; it was none of their business; it was my private business. I had no reason to consult anybody about it at all.

Q. That is the situation, that you did pay for the shares in bonds?—A. I paid the \$30,000 in bonds through my attorney, and through my financial man in Montreal.

By the Chairman:

Q. Did you take any written agreement from Sifton at the time?—A. My lawyer did.

Q. Have you got that?—A. I know he has not got that.

Q. Why?—A. Well, he will have to explain that. Mr. Sifton, I know, didn't want—he told me at the time that his father was very incensed that he had anything to do with the Beauharnois company; that he did not want the Sifton name to appear in any way in any transaction on the St. Lawrence river; that he did not want his name to appear at any time, and he asked the lawyer, my lawyer, to hold the letter which he had given him until these shares were transferred through Moyer to either myself or my nominee, or in the event of anything happening him, to destroy the letter.

Q. The letter is destroyed is it?—A. I take it so, yes.

Q. You know it is?—A. I have been told so by my solicitor, yes.

By Mr. White:

Q. Why— —A. Carrying out instructions.

Q. Would he know the contents?—A. I presume he would know, generally.

Q. Is he at liberty to come here and tell us what the contents were?—A. Yes, sir.

By the Chairman:

Q. He would not have a carbon copy in his office?—A. I cannot tell you that. My recollection of that is that Mr. Sifton wrote the letter in long hand himself, but I will be quite prepared to give the right to have Mr. Barnet come here and Mr. H. M. Banks, who is my financial man.

Mr. JACOBS: I would suggest it is a good time to adjourn.

The CHAIRMAN: It suits me.

Mr. STEWART: I should like to endorse it.

Mr. JACOBS: I should like to convene again at three o'clock.

Mr. CHAIRMAN: Mr. Jacobs, having resumed his role, assumed by me yesterday, moves adjournment of the committee till three o'clock.

AFTERNOON SESSION

The Committee resumed at 3 o'clock.

Sir JOHN AIRD, recalled.

By the Chairman:

Q. I was wondering, Sir John, if I could ask you one question. You do not need to come up. Is it true that your bank together with the Bank of Montreal and the Royal Bank of Canada associated yourselves with the backers of this project, and underwrote their securities?—A. We were members of the syndicate, I believe. I was away at the time.

Q. Did those three banks underwrite the securities?—A. I do not think they underwrote them, but they were members of the syndicate that invested some money in them. I was absent at the time. I could not answer that without looking up the records.

Witness retired.

WILFRID LAURIER McDUGALD, recalled.

By Mr. White:

Q. In reference to the transfer of the 2,000 units or part shares to the Montreal Trust Company, with whom in that company did you make that deal?—A. One of the officials of the company.

Q. Who?—A. I cannot recall exactly who it was.

Q. The manager?—A. I presume it was.

Q. Who is the manager?—A. I think Donaldson is his name—Mr. Donaldson.

Q. Is he still manager?—A. I believe so.

Q. And was then?—A. I think so, yes.

Q. I suggest to you that you made the deal with the manager?—A. No, sir; I could not say that definitely.

The CHAIRMAN: Is this the million dollar deal?

Mr. WHITE: Yes.

By Mr. White:

Q. Are you suggesting to the committee that you made a deal involving one million dollars and you do not know whom you made it with?—A. Now, Mr. Chairman, is it necessary for me to tell who those shares were sold to?

The CHAIRMAN: Yes.

By Mr. White:

Q. I want to get them here and find out all about them?—A. I cannot tell you who owns them.

Q. I am asking you to tell me who the man was that you made the deal with?—A. The arrangement in the deal was that either the accountant of the Royal Bank of Canada or the Montreal Trust Company arranged for the deposit of funds in the Royal Bank of Canada, and I gave a certified cheque on the Royal Bank of Canada to Mr. Dufresne and Mr. Simard for those shares.

Q. I am not asking you that at all. We will find all about it if you tell us the name of the man with whom you made the deal. Are you suggesting that you do not know?—A. No; but I do not know if this has any bearing on this investigation or not. I am not saying that I got any profit out of these shares at all; I did not.

Q. I am asking you for the man with whom in the Montreal Trust Company you made the deal, and I ask the committee to direct you to answer?—A. Well, I do not recall definitely who instructed me as to how the deal would be made, or where the shares were to go.

Q. I am not asking you that at all. I am asking you with whom in the Montreal Trust Company you made the arrangement?—A. Well, as a matter of fact, I did not make it directly with anybody.

Q. It just grew up like Topsy?—A. No, it was made by the one who bought the shares.

Q. Who was that?—A. Or who directed me to buy the shares.

Q. Who was that?—A. Well, his name was Godin.

Q. What is his first name?—A. I cannot tell you his first name.

Q. Is there any mystery about the thing?—A. Not any mystery except I do not know now where those shares are, or who owns them.

Q. I am not asking that at all. If you give me the name?—A. I have given you the name. You can find out through Mr. Godin.

Q. You tell me Mr. Godin. I suppose there are about two thousand Godins.

Mr. JACOBS: Only one. His name has come up already.

WITNESS: He is now director of the Beauharnois Power Company.

By Mr. White:

Q. You say you made the deal with him?—A. Yes.

By Mr. Lennox:

Q. A deal with him to do what?—A. To take over those 2,000 part interests that I had acquired by option on 31st July, 1929, from me.

Q. Did you have no direct communication with the company?—A. Not direct, no.

Q. You did not sell them to the company?—A. Not direct, no.

Q. You did not do that financing with the company?—A. They did do the financing; they financed me; they arranged for the credit in the Royal Bank of Canada.

By Mr. White:

Q. Because they had arranged with Mr. Godin to do that?—A. Possibly so.

Q. Well, is there any doubt about it?

By Mr. Lennox:

Q. He said he had arranged?—A. You suggested to me that that was financing and I said yes, it was financing; so, does it matter how it was financed, whether directly by me or somebody else; those shares were financed by the Montreal Trust Company through the Royal Bank of Canada, and I drew two certified cheques, one for \$500,000 payable to Dufresne—Oscar Dufresne—and one for \$500,000 payable to Simard—Joseph Simard.

By Mr. White:

Q. In view of your former statement on this very subject, do you wish to leave the matter as it now stands?—A. Quite so.

Q. All right, I am satisfied. Then you will recall that I read from your speech in the Senate on the 20th May, 1931, in which you said:—

I may add that I put into the syndicate dollar for dollar with every other member of it.

A. Yes.

Q. And you adhere to the correctness of that, do you?—A. Yes, sir.

Q. I have here a statement, Senator McDougald, of the amounts paid in by each member of that Beauharnois Syndicate, and I find that Mr. Blaiklock paid \$100 for his interest, 25 part-interests, as compared with the price you paid of \$37.50?—A. I never heard of Mr. Blaiklock.

Q. Never heard of him. Then I have the further statement that William M. Dobell paid \$100 a share for his; that Mr. Geoffrion paid \$100 for his, that is, he bought 200 for which he paid \$20,000; that Mr. Hugh B. Griffith paid \$100 for his; that Mr. Ivan Ibbotson paid \$100 for his; that Mr. F. S. Molson paid an average of \$45.71 for his 350 shares, and that your Sifton shares were \$37.50; that Thomas A. McGinnis paid \$100 for his; Henry A. Newman \$100; Newman-Sweezey & Co., Ltd., \$42.06; of which Mr. Frank P. Jones purchased from Newman-Sweezey 800 shares for \$30,000, or the same price as you paid; that the Robert heirs or William H. Robert paid \$100 for his 100 shares; that Dr. Adam Short paid \$100; that John Stadler paid \$100; William Sutherland \$100; R. W. Steele \$100; R. O. Sweezey 300 for \$30,000. He got 600 for nothing, at least I should not say for nothing but for his interest in the Syndicate and paid \$30,000 for 300 shares; and that Fred D. Kenny paid \$100 for 15 shares, that is, \$100 per share; or a total of \$261,000 for 5,000 shares. But inasmuch as Mr. Sweezey got 600 for his interest in the Syndicate the people who put in cash bought 4,400 shares for \$261,000, or an average per share of \$59.60.

Mr. MONTGOMERY: I think you omitted the Credit General.

Mr. WHITE: No, Credit General, \$37.50. Senator Raymond I said. If I omitted it I put it in now. So that Senator Raymond and you and Mr. Jones obtained 2,400 shares of the 5,000 at \$37.50, and you were the only persons who obtained those shares at that price according to the books of the Syndicate. Now, in the face of that statement, do you wish to adhere to your statement in the Senate that you paid into the Syndicate dollar for dollar with every other member of it?—A. My statement in the Senate was made on the advice of Mr. Hugh Griffith, the secretary of the company.

Q. Who had himself paid \$100 for his shares?—A. He told me that I had paid the same as every other member of the Syndicate.

Q. You suggest Mr. Griffith stated that to you when he himself had paid \$100?—A. That is what he told me, that I was coming in on the same basis as the other members of the Syndicate.

Q. I see, that is what he said. But you made the statement in the Senate without going to the books of the Syndicate to find out whether your statement was correct or not?—A. Based on what Mr. Griffith had told me.

Q. And without going to the books?—A. Yes, without going to the books, because I knew nothing about the early stages of the Syndicate at all.

Q. And I think perhaps it would be correct to say that you were the last member of the Syndicate in point of time?—A. I cannot say that, sir.

Q. The reason I say that to you is that that first Syndicate was turned over, that is, the Beauharnois Syndicate was turned over to the Beauharnois Power Syndicate on the date upon which Mr. Clare Moyer subscribed for his shares?—A. Well, I knew nothing about the inner workings of the Syndicate. I had nothing to do with the management at all so that I cannot answer any questions on those points whatever. All I can say is that when I went in I was told I was coming in on the same basis as everybody else in the Syndicate, and Mr. Griffith afterwards confirmed that to me.

Q. Can you suggest any possible reason why Mr. Griffith should want to deceive you?—A. I would not suggest anything like that.

Q. Listen to the question, because you were getting in much more cheaply than a lot of others. I can understand why anyone should want to mislead you if you were paying more. But in view of the fact that you were paying much less—A. I cannot explain that to you, sir.

Q. So you cannot explain that?—A. No, sir.

By the Chairman:

Q. I want to revert again to the deal with the Montreal Trust Company. There were 2,000 part units involved altogether?—A. Yes, sir.

Q. 1,000 that went to Mr. Simard?—A. Yes, sir.

Q. And 1,000 to Oscar Dufresne?—A. Yes, sir.

Q. Now, who applied to the Syndicate for those?—A. I cannot tell that. I know nothing about the early history of that application at all.

Q. You say that you paid for them?—A. I did not say that.

Q. What did you say?—A. I said I got an option from Mr. Dufresne and Mr. Simard on the 31st of July, 1929, on which I put up \$100,000. The option was for three months and at the expiration of that period I took up those shares with two cheques, one for \$500,000 which went directly to Dufresne and one for \$500,000 which went directly to Simard, certified cheques by the Royal Bank of Canada.

Q. Did you get a transfer to yourself of the part-interest?—A. I cannot say that. I think the interests were transferred to me first and afterwards to the Montreal Trust Company; but I cannot swear as to that.

Mr. WHITE: The record shows that, Mr. Chairman.

By the Chairman:

Q. And when you paid for the part-interests were they paid up?—A. Yes, they were paid up.

Q. Now, the records of the Syndicate show that these shares were applied for by Hugh B. Griffith?—A. I know nothing about that, sir.

Q. And they were issued in Hugh B. Griffith's name, and that Hugh B. Griffith paid for them, and that—it does not say what time—Simard refunded his money to him. Do you know anything about that?—A. I don't know anything about that, sir.

Mr. FORSYTHE: Mr. Griffith points out that it was only Simard's shares that he applied for.

The CHAIRMAN: Well, we will confine the observations to Simard's shares. But it is clear that that is what happened with the Simard shares.

The WITNESS: If you will be interested, Mr. Chairman, I can show you the option that I got from Mr. Dufresne and the cheque that was paid to him. Now, if I may say so again the only reason I remember—and I state it definitely here—was that I took on the application for \$1,000,000. If the shares had not been taken over as they were I would have had to pay \$1,000,000 for the shares and would have had to keep them.

Q. Did not you have any contract with Simard and Dufresne?—A. I had an option from them on which I paid them each \$50,000 for the option. I put up \$50,000 of Victory Bonds to each one on the option. If I did not take up the option my \$50,000 would have been taken by them, and if I wanted to take over the shares I would have had to pay for them or lose the money.

Q. When you took up the option who did you turn the shares over to?—A. I was instructed by Mr. Godin, who is now a director of the Beauharnois Company, to turn them over to the Montreal Trust Company.

Q. And as far as you know they have got them yet?—A. I do not know where they are, sir.

By Mr. Stewart:

Q. That option was the 31st July, 1928?—A. 1929, sir.

Q. 1929?—A. 1929.

By Mr. White:

Q. Did you see anybody in the Montreal Trust Company in connection with this transaction?—A. I think I did at the time.

Q. Who?—A. I am not positive about that but I think I went in and saw one of the officials.

Q. Who?—A. I cannot tell you. It was simply in connection with depositing the money in the Royal Bank, which was done. I wanted to know how it should be done and I had a certified cheque for the two amounts, which I can produce.

Q. Then the agreement, Exhibit 75, between the Sterling Company and the Beauharnois Power Syndicate, provided that the units or part-interests were payable and the shares of the Sterling Company transferable only if the Dominion authorities approved of the plans and so on, on or before the 29th day of February, 1929?—A. So I understand. You brought that point out yesterday.

Q. Yes. Now, I see by the Minutes of the Syndicate Managers of the Beauharnois Power Syndicate, at which Mr. J. P. Ebbs was present, on the 21st of March, 1929, Mr. Ebbs being your representative there?—A. Yes.

Q. This resolution:

On motion duly seconded it was unanimously resolved that the officers of this Syndicate be and they are hereby authorized to execute an Agreement with John P. Ebbs, confirming a verbal arrangement made by them on February 15th, 1929, with the said Ebbs, extending the date within which the Syndicate might secure the capital shares of the Sterling Industrial Corporation Limited to April 30th, 1929.

Did you on February 15th instruct Mr. Ebbs to extend the time?—A. I cannot recall that at all. And going back to your question of yesterday as to whether I instructed him—

Q. Let us stick to to-day?—A. But yesterday you intimated that I had given him instructions. I left for Europe on the 3rd of October of that year and was away until some time near Christmas.

Q. On whose business?—A. Partly on my own and partly on Beauharnois business.

Q. What did you do over there for Beauharnois on that trip?—A. Well, on the trip over, the British Parliamentary Association were going over. They had been on a tour through Canada, and I went over with Senator Haydon. He was along with me, and the idea was to see what enthusiasm we could stir up for industries coming here to Canada.

Q. And Beauharnois paid your expenses?—A. Part of the bill, yes.

Q. Were you here on the 15th of February, 1929?—A. I don't believe that I was.

Q. I mean in Canada?—A. No, I don't think that I was.

Q. At that time you were not?—A. I cannot swear that, but, just from memory my son, went to the Royal Military College in England in that year, and I fancy I went over with him early in February because he entered the college on the 1st of February.

Q. Were you here in March?—A. No, I would not have been here in March.

Q. At any rate, it was agreeable to you that the time should be extended?—A. I do not know that I ever gave it any consideration at all.

Q. Have you any objection now?—A. Not a bit.

Q. None now, all right. Then we are told that you were elected,—the first office you had according to the record which I read to you yesterday, that is, elected to an office in connection with this Beauharnois matter, was on the 17th December, 1929?—A. I think that would be about correct.

Q. And that office was as a manager, or at least a holder of one or more Management Preferred shares?—A. Yes.

Q. Which gave the right to the election of directors?—A. Yes.

Q. And, therefore, the right to dictate the policy of the company?—A. In so far as the appointing of directors was concerned.

Q. I mean electing directors who would conform to the policy laid down by those holding the voting power?—A. Quite.

Q. Now, did you do any work for the Syndicate, or for any of the Beauharnois companies before that date, that is, the 17th of December, 1929?—A. I might have, yes.

Q. Well, did you?—A. I cannot say definitely that I did.

Q. Did you do work in connection with this matter as early as 1927?—A. No, sir. I knew nothing about the project in 1927.

Q. You say you knew nothing about it in 1927. Then you would not know that Mr. Aime Geoffrion or his firm Geoffrion & Prudhomme were acting for the Syndicate?—A. I knew nothing about it at the time.

Q. Absolutely nothing?—A. Absolutely nothing.

Q. And, of course, never consulted with Mr. Geoffrion or Mr. Prudhomme who were members of that firm on the affairs of the Syndicate?—A. Never to my knowledge.

The CHAIRMAN: What year was that?

Hon. Mr. MACKENZIE: December, 1927.

By Mr. White:

Q. As early as December 17, 1927, two years before you were elected to office. Do you say you did not have a consultation with Mr. Geoffrion on that date?—A. About this Beauharnois project?

Q. Yes?—A. I say definitely that I had not.

Q. I show you a bill rendered to the Beauharnois Power Syndicate by Geoffrion and Prud'homme, avocats, dated August 16, 1928.

The CHAIRMAN: What is the date?

Mr. WHITE: July 26, 1927.

Q. Under date December 17, 1927, I see this item:—

Interview with Senator McDougald.

What do you say now?—A. I say I never arranged any interview with Mr. Aime Geoffrion.

Q. I did not ask you whether you arranged an interview?—A. Geoffrion was counsel for the Montreal Harbour Board. I cannot recall anything at all that I would be talking to Geoffrion about with reference to the Beauharnois Syndicate. I knew nothing about the Beauharnois Syndicate.

Q. I see under date December 10th this entry appears:—

Attendance at the Government Office and interview with the Hon. Mr. Taschereau; telephone to the Hon. Mr. Taschereau; interview with the Hon. Mr. Mitchell and the Hon. Mr. Raymond,

and a week after, on the 17th December:—

Interview with Senator McDougald?

A. I can recall no interview with Mr. Geoffrion.

Q. Are you denying that you had an interview with Geoffrion?—A. I do not deny it, but I do not recall it.

The CHAIRMAN: He denied it a little while ago.

Mr. JACOBS: It may have been a casual meeting at the club.

Mr. WHITE: Surely Mr. Jacobs is not suggesting that a bill would be rendered because of a casual meeting at the club? I am surprised!

Q. Then I see under date January 9, 1928:—

Telephone to Mr. Heward instructing him to give notices for the Bill.
Interview with Mr. Swezey; interview with Mr. Griffith; telephone to the Hon. Mr. Mitchell; telephone to Mr. Griffith; telephone to the Hon. Mr. McDougald; interview with the Hon. Mr. Mitchell; telegram to Chateau Frontenac?

A. Mr. Aime Geoffrion may have been talking to me, but I do not recall it.

Q. Talking to you on the business of the Beauharnois Syndicate?—A. That is not my business, because I knew nothing about it then.

Q. Do you suggest that Mr. Geoffrion was charging the Beauharnois Syndicate for telephoning to you on business that was not the Beauharnois Syndicate's business?—A. It may have been the Beauharnois Syndicate's business, but it was not my business.

Q. Then five days afterwards, on the 14th January, 1928, this entry appears:—

Interview with Mr. Heward; communicating by telephone with the Hon. Mr. Mitchell; communicating by telephone with the Hon. Mr. McDougald; communicating by telephone with the Hon. Mr. Taschereau; further communicating by telephone with the Hon. Mr. McDougald.

You notice the meat in that sandwich?—A. I know there has been a lot of telephoning, but I can recall nothing, and I was not interested in Beauharnois at that time.

Q. Can you suggest any reason why this entry should read in part:—

...communicating by telephone with the Hon. Mr. Mitchell; communicating by telephone with the Hon. Mr. McDougald; communicating by telephone with the Hon. Mr. Taschereau; further communicating by telephone with the Hon. Mr. McDougald.

all in the same day?—A. I could not say what they are for.

Mr. LENNOX: Charged to the Beauharnois Syndicate?

Mr. WHITE: Charged to the Beauharnois Power Syndicate.

Q. What do you say?—A. I would not even venture to say what they were for.

Q. You know Mr. Geoffrion?—A. Yes.

By the Chairman:

Q. And you know that Mr. Geoffrion is very highly regarded in the legal profession?—A. I am not contradicting that. I only say I was not interested in the Beauharnois Power Syndicate in 1927. Whether Mr. Geoffrion called me in order to obtain some information he wanted in connection with some work being done at Ottawa here—I think that was at the time of the sitting of the National Advisory Board—I do not know.

By the Chairman:

Q. This is a bill which Mr. Geoffrion rendered to the Beauharnois Power Company for work done in the years 1927 and 1928?—A. I know it is.

By Mr. White:

Q. The 14th January, 1928, was after the National Advisory Committee had reported?—A. I am only suggesting that Mr. Geoffrion may have called me to get some information he wanted.

Q. And I am pointing out that your suggestion is not of much value because it was after the committee had reported?—(No answer).

By the Chairman:

Q. Can you think of any other reason why Mr. Geoffrion should telephone you?—A. No.

By Mr. White:

Q. Did you telephone to Mr. Geoffrion on the 13th February, 1928?—A. I cannot recall it.

Q. Under that date I find this entry:—

Telephone from Mr. McMichael; telephone from Mr. McDougald.
Telephone from Mr. Griffith; interview with him; telephone from Mr. Heward?

A. I could not say.

By the Chairman:

Q. In that instance you are telephoning Mr. Geoffrion?—A. I could not say.

By Mr. White:

Q. But he charged this to Beauharnois?—A. I know nothing about his charges.

Mr. JACOBS: I notice that all the so-called interviews were conducted by telephone.

Mr. WHITE: No, the first one was in person.

Q. Then on the 17th April, 1928, this charge is made:—

Letter received from Mr. Cannon enclosing his bill; examining and approving same; letter to Mr. Griffith enclosing same; interview with Mr. Bergevin; interview with Messrs. Sweezey and Griffith; telephone from Senator Raymond; interview with Mr. McDougald.

Mr. LENNOX: What is the date?

Mr. WHITE: April 17, 1928, two days before the speech in the Senate.

The WITNESS: I cannot recall what that might be.

By Mr. White:

Q. Can you suggest any reason why Mr. Geoffrion or his firm should be charging the Beauharnois Power Syndicate for interviews with you that were not on the business of the syndicate?—A. Around that period the only thing I can suggest is that Mr. Bergevin was around to see me on many occasions. He came to the Harbour Board at one time with his cousin, the late Mr. D'Aoust, who was a member of the Board, and he had a package of plans with him and wanted me to look into that section of the river. I think the first time was when I was on the National Advisory Board. That is the only thing I can think of about which I was asking Mr. Geoffrion.

Q. I suggest to you that your interviews with Bergevin were in 1923 and 1924?—A. I can suggest to you that Bergevin was in my office not later than two weeks ago, and has been in and out very often since the first time I met him.

Mr. JACOBS: Tell us the amounts charged for these various interviews.

Mr. WHITE: There are no amounts. It is one of those nice bills with a lump sum at the end of it.

Q. Then on the 30th April, 1928, there is this charge:—

Interview with Messrs. Griffith, Sifton and Senator McDougald.

Could you tell us whether on that date or thereabouts you had a conference with Geoffrion, Sifton and Griffith?—A. I cannot recall it.

Q. I suppose it could not possibly have been anything to do with the Beauharnois Power Syndicate?—A. Not so far as I was concerned.

By the Chairman:

Q. Again I suggest to you, and I think the rest of the committee will probably agree in the main, that it is inconceivable that Mr. Geoffrion would render a bill of that character to the Beauharnois Power Syndicate and get paid for it, and set out these telephone communications and interviews in such detail without such interviews and telephone communications having happened?—A. I am not questioning that. Perhaps Mr. Geoffrion spoke to me on many occasions—Mr. Jones did, and different people did—about the Beauharnois Company, as to how it was progressing, and what chances there were of it going through.

Q. In this last interview you were sitting in at a conference with Griffith and Sifton?—(No answer).

Hon. Mr. MACKENZIE: What is the date of the last one?

Mr. WHITE: April 30, 1928.

The WITNESS: It may have been in connection with that. People were asking me all the time about what I thought the chances were of it getting through.

By the Chairman:

Q. People asking you is a vastly different thing from an interview with the counsel for the Beauharnois Power Syndicate reflected in a legal bill rendered to the Beauharnois Power Syndicate by that counsel, which bill was paid. If we must rely on inferences, the inference there is entirely too strong and too cogent to be ignored?—A. I was always interested in seeing some development there that would help the deepening of the St. Lawrence waterways. I had publicly stated at the time, not only when the Beauharnois was under way but everywhere, that I thought the Beauharnois development was the wedge in the St. Lawrence deepening, and prior to that the Province of Quebec had taken a stand absolutely against the deepening of the St. Lawrence; Mr. Taschereau at Quebec had taken a stand against it, and every newspaper in the city of Montreal was against it.

Q. That does not help us?—A. I think so, because if I had interviews with him I think it was along the lines of propaganda which I did for the St. Lawrence waterways at the time.

By Mr. Jacobs:

Q. Can you locate yourself in Mr. Geoffrion's office on these dates which have been mentioned?—A. I cannot recall them.

By Mr. White:

Q. The scene shifts to Ottawa now. Under date May 14, 1928, there is this entry:—

While in Ottawa, interviews with Senator McDougald and Mr. Sifton.

Do you recall those interviews?—A. No, I cannot recall.

Mr. LENNOX: That is four days before he bought the Sifton shares?

Mr. WHITE: Yes.

The WITNESS: For some time Sifton had been trying to get me to come into the Beauharnois Company, and he was trying to impress me with the importance of it and the bigness of it.

By the Chairman:

Q. You knew of the importance of it from Henry in 1923?—A. I did not know the soundness of the group which was trying to put it through, and I was concerned with that.

By Mr. White:

Q. Then on the 23rd May, 1928, five days after your speech, there is this entry:—

While in Ottawa interviews with Senators McDougald, Raymond, etc.

Hon. Mr. MACKENZIE: What does that mean?

Mr. WHITE: "Et cetera;" it does not say "et al."

Hon. Mr. MACKENZIE: There is no mystery about it, is there?

Mr. WHITE: I just wondered if it had any significance.

Q. Do you remember that?—A. No, I have no recollection of it. I am not denying any of those interviews.

By the Chairman:

Q. The first question Mr. White asked you before this bill was produced was answered by you to the effect that nothing of this kind ever happened?—A. No. I said I did not recall that they had happened, and had no reason for thinking they had happened; and I said, and say again, that it was not by virtue of any relations which I had with Beauharnois that they took place. I would not say that they did not ask me to help them or ask me what was going on. Mr. Geoffrion might have come to me and tried to find out if I knew anything about the progress made; I would not suggest that he would not do that, because it was done by many others. He may have been sent by the Beauharnois Company to see what I knew about it or could tell him about that. I do not know that. I am not suggesting that Mr. Geoffrion would make any charges unless he had some authority for doing so, but I do suggest that I was not in the Beauharnois Company and that it was not for my personal reasons that he was coming to me in that connection.

By Mr. White:

Q. We can get down to something definite now. Under date May 24, 1928:—

Mr. Foster; making copy of same and letter to Mr. Taschereau transmitting same. Interview and consultation with Messrs. Holden, Mitchell and Griffith; long letter to Senator McDougald.

Perhaps you will let us have the letter?—A. I do not recall any such letter.

Q. Do you deny receiving it?—A. I cannot recall any letter that Geoffrion ever wrote to me about the Beauharnois Company.

Mr. WHITE: Perhaps Mr. Griffith would ask Mr. Geoffrion to send us a copy of that letter?

Mr. GRIFFITH: Mr. Geoffrion is away.

Mr. WHITE: Then ask Mr. Prud'homme, Mr. Geoffrion's partner, to send it.

The WITNESS: Does it say the letter was addressed to me?

By Mr. White:

Q. Yes, it says:

... long letter to Senator McDougald.

A. I can recall no such letter. I can go through my files and see if there is any such letter, but I have no recollection of it.

Q. Then did you have interviews with Colonel A. T. Thompson in connection with Beauharnois matters?

Mr. STARR: If you are through with that file I would like to look at it.

Mr. WHITE: I will file it as Exhibit No. 114.

EXHIBIT No. 114

Marquette Investment Corporation, cheque No. 115 dated September 5, 1928, in favour of Messrs. Geoffrion and Prud'homme for \$5,857.04, signed by Hugh B. Griffith.

Messrs. Geoffrion and Prud'homme's account rendered to the Beauharnois Power Syndicate for work done during the years 1927 and 1928, dated Montreal, August 16, (12 pages).

Carbon copy of voucher No. 155, dated September 5, 1928, re payment of \$5,857.04 to Messrs. Geoffrion and Prud'homme.

By Mr. White:

Q. I have here a bill of Thompson, Cote, Burgess and Thompson, dated July 24, 1928, rendered to the Beauharnois Light, Heat and Power Company, the first item of which is October 27, 1927, and I find under date of March 15, 1928, this entry, "Important interview with Senator M." I suggest that you are the Senator M. referred to?—A. I cannot say.

Q. You cannot say that?—A. Yes, sir.

Mr. WHITE: Is Col. Thompson in the room?

Col. THOMPSON: Yes.

Mr. WHITE: Who is referred to in this memorandum, by the letter "M"?

Col. THOMPSON: I do not know, Mr. White. Will you give me the date again, Mr. White?

Mr. WHITE: March 15, 1928.

Col. THOMPSON: March 15, 1928?

Mr. WHITE: It says:

Important interview with Senator M.

Col. THOMPSON: Yes.

Mr. WHITE: Who is Senator M?

Col. THOMPSON: I do not know, Mr. White. There are many Senator M's. You get me a list of the Senate and it may occur to me who it is, but frankly, I do not remember. That is a long time ago.

Mr. WHITE: Are you able to tell us whether you had interviews with Senator M?

Col. THOMPSON: I cannot say as to that, but I think it is entirely probable that I did, and there is no disgrace in that, that I can see, Mr. White. I am not ashamed of it.

Mr. WHITE: I do not know why you should have found it necessary to volunteer that.

Col. THOMPSON: I do not know, I seem to be accused of this thing.

Mr. WHITE: Qui s'excuse s'accuse.

Col. THOMPSON: Not at all, you are the gentlemen who are doing the s'accuse, and I am doing the s'excuse.

Mr. WHITE: I thought we would get some sex into this before we finished. There is a similar entry on the first of March, 1928.

Important interview with Senator M.

Col. THOMPSON: Yes, exactly.

Mr. WHITE: Two interviews in March, 1928.

Col. THOMPSON: Yes.

Mr. WHITE: Now, I assume that your docket entry will have the name in full?

Col. THOMPSON: I do not think so, Mr. White. This is an exact copy.

Mr. WHITE: Will you be good enough to bring your docket here, Col. Thompson?

Col. THOMPSON: Certainly.

By Mr. White:

Q. I suggest to you, Senator McDougald, that these interviews were with you, what do you say about that?—A. All I can say is this; I think clever lawyers like yourself, if employed by the Beauharnois company, that you might have interviews with me if you thought that I could be of any service to the company.

Mr. LENNOX: I should like to ask Col. Thompson a question. Why was not the name of the Senator put in the bill instead of just the initial?

Mr. JACOBS: Economy.

Mr. LENNOX: Is there any reason that you recall?

Col. THOMPSON: I do not recall any reason at all.

Mr. LENNOX: It seems a peculiar way to put an entry.

Mr. JACOBS: How many interviews of that kind with Senator M. are in the statement?

Mr. WHITE: Two in March, 1928.

Mr. JACOBS: Two?

Mr. WHITE: Yes.

Mr. JACOBS: They extended over a period of how long?

Mr. WHITE: The bill?

Mr. JACOBS: Yes.

Mr. WHITE: It started on the 27th October, 1927, and ended on the 8th June, 1928.

The CHAIRMAN: How much was the bill?

Mr. WHITE: We had all that before, sir, \$3,000.

I wonder, Col. Thompson, if you would telephone your office and have them send the docket up here?

Col. THOMPSON: Yes. It was in 1928, Mr. White?

Mr. WHITE: March, 1928.

Mr. LENNOX: Would the Beauharnois people, to whom you rendered your bill, and by whom it was paid, know who Senator M. was by using the initial?

Col. THOMPSON: How do I know.

Mr. LENNOX: Is there any reason for concealing from them who the Senator referred to was?

Col. THOMPSON: None whatever. I have carried on a great many years here, and it is not altogether, perhaps, the usual thing in rendering a bill to mention the names of people with whom you have had interviews. That is the only reason. There was no reason for concealing it at all.

Mr. WHITE: I see that Col. Thompson has been consistent about it, because in the other items of the bill there are interviews with Hon. Mr. R. whoever that was.

Col. THOMPSON: There was no reason. You will find I gave names.

Mr. WHITE:

Interview with Mr. M. P. leading western member.

Morning—very important and lengthy interview with Mr. D. M.P.,
Afternoon—Work at Commons.

Mr. JACOBS: Is there one with Mr. J., M.P.?

Mr. WHITE: It carries on throughout, "Mr. C., M.P., and so on.

Col. THOMPSON: Shall I get the book?

Mr. WHITE: I thought perhaps you would telephone.

Col. THOMPSON: I thought that you had other questions to ask.

Mr. WHITE: Not at present.

By Mr. White:

Q. I see by this account that Col. Thompson also attended the Senate committee?—A. I used to see him there quite often.

Q. Is it a fact that at that Senate committee you had a map or model of the Beauharnois project?—A. I did not have the map, but there was a map there, but I did not have it there.

Q. Who brought it there?—A. I cannot tell you that, sir.

Q. Mr. Sweezy?—A. I cannot tell you that.

Q. Did he bring it there by arrangement with you?—A. No, sir.

Q. But it was there?—A. I saw it there, yes, everybody saw it there.

Q. Then, I suggest to you that you were further active in this matter before May, 1928, and I read to you a letter addressed by Winfield B. Sifton, to Dear Hugh. . . . that is my dear friend over yonder, I take it. April 28, 1928:

I have just paid \$43.65 as arranged for copy of typed testimony before United States Senate committee, copy handed by me to Senator McDougald. I will be pleased to receive cheque in reimbursement.

If you were not interested in the Beauharnois company, can you tell me why they should be paying for a copy of the United States Senate committee's testimony, testimony before the United States Senate committee for you?—A. My only interest in the Senate committee was to bring out the reasons why the St. Lawrence development should go on; I was looking for information and data from every corner where I could get it.

Q. Why should the Beauharnois company pay?—A. I do not know that.

Q. —for the copy of the testimony before the Senate Committee for Senator McDougald?—A. I have never asked for it. They perhaps volunteered me the information and gave me the information, but I did not ask for it.

Q. You accepted it?—A. I was looking—

Q. You accepted it?—A. No doubt about it, they offered it to me.

By the Chairman:

Q. You remember getting it?—A. No, sir I cannot remember a thing about it.

Q. Do you think there is a possibility you might have gotten it?—I was getting information from all quarters at the time.

Q. I am not asking you that.—A. There would be the possibility.

Q. You seem to have an uncanny habit of not answering questions.—A. There would be the possibility, yes, because I was getting information from all quarters at the time. My sole interest was to bring forward evidence that would show that the St. Lawrence Waterway was practical and feasible, and that it should be started at once. The Beauharnois connection is that they had their rights from the province of Quebec and that was removing one of the obstacles in the opposition from the province of Quebec. I will frankly state here when that was granted by the Taschereau government I could see that it was at once relieving the opposition that came from that quarter up to that time, because if Mr. Taschereau had agreed to a power canal in which the government here at Ottawa would agree to a transportation canal, it was

at once establishing the building of a unit of the St. Lawrence waterways system, and that was my interest, and that was the reason I was looking for all the evidence I could get before this Senate committee.

Q. There is no doubt that Mr. Griffith was interested in the Beauharnois project?—A. Yes.

Q. As such?—A. Yes.

By the Chairman:

Q. Did you know that Mr. Griffith was interested in the Beauharnois project?—A. Yes.

Q. As such?—A. Yes.

Q. And did you know that Mr. Sifton was?—A. Yes.

Q. As such?—A. Yes.

Q. Did you know that they knew you were on the committee?—A. I was on the Senate Committee then—the other committee, Mr. Chairman.

Q. Why in the world would they take Beauharnois money and pay for the minutes before the United States Committee and hand it to you rather than anybody else on the committee?—A. Because I was the one who was putting up the fight for the St. Lawrence waterway in the Senate—in the Province of Quebec.

Q. They were interested in the Beauharnois project?—A. If the Beauharnois project went through, I suppose they thought it would help them, or if the St. Lawrence Waterways scheme came through.

Mr. JACOBS: Mr. Chairman, you remember that they paid for the attendance of counsel something like \$5,000 before that committee, so they were not—

Mr. WHITE: Dominion Securities did.

Mr. JACOBS: And they got it from Beauharnois subsequently.

By Mr. Lennox:

Q. You would expect solicitors to be paid, but not Senators?—A. Nobody suggested that they pay me. I never got a dollar from them.

Q. They paid for that report?—A. I would have no knowledge of that.

Mr. JACOBS: Mr. Sifton said he obtained that from the United States Senate Committee in Washington, and he turned it over to Senator McDougald.

By Mr. Lennox:

Q. The Beauharnois Company paid for it?—A. I have no reason to know that.

By Mr. White:

Q. I think you told us some time ago, or intimated, that you were instrumental in having Professor W. Goforth of McGill University give his testimony?—A. I do not think I ever mentioned his name.

Q. He did give his testimony?—A. I never mentioned his name to you.

Q. Well, I am dreaming then. He did give his testimony?—A. Yes, I remember well.

Q. And I ask you if that was at your suggestion?—A. No, it was not at my suggestion.

Q. At whose suggestion?—A. I do not remember that.

Q. Did you not—did you meet him before he gave his testimony?—A. I think it is quite possible, I had a chat with him; yes.

Q. Did you arrange what questions were to be asked of him?—A. No, sir.

Q. And would you be surprised to know that he had been paid hotel bills in Ottawa by Mr. Sifton?—A. I would not be surprised.

Q. Do you say you do not know anything about it?—A. I knew that he was going to give testimony; but he was supposed to be an expert in political economy.

Q. I have here a letter from Mr. Sifton dated May 19, 1928—something about hotel bills and so on—and incidentally,

plus Professor Goforth's hotel bill in Ottawa, two trips?

A. I would not know anything about that.

Q. You would not know anything about that?—A. No, sir.

(Accounts from Mr. Sifton dated April 28, 1928 and May 19, 1928, filed, marked Exhibit 116).

Q. Was this copy of the typed testimony before the United States Senate Committee sent to you at all by reason of the attempt which Mr. Sifton—which was being made to put these shares over on to you?—A. He never suggested anything of the kind. I do not recall anything of the kind.

Q. It was not in connection with that; you are satisfied with that?—A. I could not say, because I do not remember everything that happened in those days.

Mr. STARR: That report will be in connection with the International section—that report of the Senate.

By Mr. White:

Q. Did you have anything to do with the appointment of Mr. Henry as Deputy Minister of Railways and Canals?—A. No, on the contrary I advised Mr. Henry not to go into the Department of Railways and Canals as Deputy Minister. I was in Europe when he went on as Deputy Minister. I saw it for the first time in the papers in England, and I called up long distance telephone to find out if it was true, because I was the most surprised man in the country when I found he had gone on as Deputy Minister.

Q. I wonder how many words it took to answer that simple question?—A. Through fairness to Mr. Henry, I think I am entitled to make that statement.

Q. A simple denial would have been quite satisfactory.

By Mr. Jacobs:

Q. You telephoned from England?—A. Yes. I was so surprised when I saw the report in the newspaper in England that I telephoned, because my understanding with Mr. Henry before I left Canada was that he would take up his duties with the Beauharnois Company, with Mr. Swezey and myself, just as soon as he could make arrangements to get away from the National Railway.

By Mr. White:

Q. When was that made?—A. When was what made?

Q. That arrangement?—A. I say it was a verbal arrangement.

Q. I do not care whether it was verbal; when was it made?—A. I cannot give you the exact date.

Q. I am not asking you for the exact date; but I think you know it. When was it made, about?—A. I know definitely I was in England. I do not remember the time.

Q. I am not asking you that. I am asking when you arranged with him and Mr. Swezey that he would go to the Beauharnois as soon as he could get away from the Canadian National Railways?

Mr. JACOBS: I suggest just before he went into the department.

The WITNESS: We had many discussions about when and why—

By Mr. White:

Q. When was that arrangement made?—A. No definite arrangement.

Q. You said a moment ago there was an arrangement with you and Mr. Swezey that he would go in with the Beauharnois as soon as he could get away from the Canadian National Railways: is that correct?—A. That is substantially correct; yes.

Q. I am quoting your own words, when was that arrangement made?—A. I cannot fix any date.

Q. About when?—A. It would be in 1929—some time in 1929.

Q. That gives you lots of leeway?—A. I am not looking for leeway.

Q. It gives you lots whether you are looking for it or not?—A. I cannot carry all kinds of dates in my head for five or six years.

Q. You did go to England anyway?—A. Yes, every year.

Q. And you told us, I think, that you went in February?—A. In February.

Q. Was it made before you went to England?—A. I arrived there—to be there on the 1st of February. The date is fixed in my mind because my son entered Camberley College, and had to be there for the 1st of February—had to be there some time before that.

By the Chairman:

Q. If you cannot remember, it is not unusual that a man cannot remember the day and date for a verbal agreement?—A. But it is brought to my mind because of the fact that I went over there with my son.

Q. Can you remember the season of the year that the agreement was made?—A. There was no definite agreement. That is not exactly correct.

Q. Let me be meticulously correct. Can you remember the season of the year when that arrangement was made between Mr. Henry, Mr. Sweeney and yourself?—A. There was no definite arrangement.

Q. Will you tell me the season of the year the indefinite arrangement was made?—A. It would have been in January, some time before I left for England.

Mr. WHITE: Thank you Mr. Chairman.

By the Chairman:

Q. I presume, Senator, you knew, prior to the first of February, 1929, that overtures were being made to Mr. Henry to take the position of deputy minister of Railways and Canals?—A. No, sir—I did know before I left England.

Q. That is prior to February 1, 1929?—A. I cannot fix the time.

Q. It would be before you left for England?—A. Yes, before I left for England.

Q. Do you remember who was making the overture to Mr. Henry?—A. From memory, I think he told me that Mr. Dunning asked him to go in.

Q. And you advised against it, did you?—A. Yes, sir.

Q. Why did you advise against it?—A. For possibly a very selfish reason. I thought he would be, as far as I was concerned, better in the Beauharnois Company than in the Department of Railways and Canals. I was afraid if he got in there he would not leave the service.

Mr. JACOBS: It is a way Civil Servants have.

WITNESS: Yes.

By Mr. White:

Q. Of course, if he had not been an excessively honest man, he would have been very useful there?—A. I never thought so. I knew of nothing at the time that he could be useful for.

Q. You had applications pending before that department?—A. I do not think so. Not that I have knowledge of.

The CHAIRMAN: P.C. 422 was not passed on the 8th of March that year. You must remember that.

WITNESS: It was not before that department. I do not recall all those details. I know I advised him not to go in. I do not believe Major Bell was dead at the time. If anyone can fix the date of Major Bell's death, I can tell you more definitely.

Hon. Mr. MACKENZIE: Major Bell died January 13, 1929.

WITNESS: 1929. Then I was away at the time. I must have been away at the time, because I was in England—I arrived in England on the 1st of February of that year, as I say, to put my son in Camberley Military College.

By Mr. White:

Q. How in the world could there have been a discussion about Mr. Henry going to the Department of Railways and Canals before Major Bell died?—A. Because Major Bell had been very ill, and there were many discussions about who would take his place in the Department of Railways and Canals. Mr. Henry's name was one of the most frequently mentioned.

Q. We may take it that it was before the 13th of January, 1929?—A. I would say so, yes.

Q. Then, you did some travelling for the Beauharnois Company, did you?—A. I again looked some people up in England in that year.

Q. In what year?—A. In 1929 when I was over there, in connection with the possibilities.

Q. Did you do any travelling from the 1st of January, 1929?—A. From the 1st of January? It was around the first of January that I went over there.

Q. And is this the cheque they paid? Look at the voucher I suggest?—A. I suppose it is, yes.

Q. The cheque is dated November 8, 1929, and the voucher is dated the same date. The cheque is payable to you and endorsed by you?—A. Yes, sir.

Q. For \$5,000?—A. Yes, sir.

Q. And it is dated November 7, 1929, with invoice number, amount \$5,000, travelling expenses from January 1, 1929, to date and then "on account", the words are written in?—A. That is correct, I received that cheque.

(Cheque for expenses of Senator McDougald dated November 7, 1929, with voucher, filed, marked Exhibit 117).

Q. Then, is it not a fact that you put in a further voucher on November 22, 1929?—A. If it was there, I put it in.

Q. Expense of trip to Europe, trips to Ottawa, hotel, etc., \$2,500?—A. If it is there I put it in.

Q. Will you tell me why Beauharnois Company should be paying your expenses to Ottawa, and what business you did here for them?—A. I could not tell you any definite business I did here.

Q. Tell me any business?—A. I could not tell you any business at all that I did.

Q. Did you come to Ottawa for them?—A. I might have.

Q. Did you?—A. I expect I did.

Q. You were paid for it?—A. Yes, I came here.

Mr. JACOBS: What dates are covered in that voucher?

Mr. WHITE: The item is of November 22, 1929.

Mr. LENNOX: What is the date of the other one?

By the Chairman:

Q. Your recollection, Senator, is not clear as to the business you were on in Ottawa?—A. No.

Mr. WHITE: The other date is November 7, 1929.

The CHAIRMAN: Those are the cheques of the power syndicate, are they?

Mr. WHITE: That cheque is the Beauharnois Power Corporation, Limited. The cheque was for \$3,352.32.

Mr. LENNOX: Read the voucher again.

Mr. WHITE: November 22, 1929. It is "Beauharnois Light, Heat & Power Co., Ltd., debtor to Honourable W. L. McDougald, 1929, November 22, expenses of trip to Europe; trips to Ottawa, hotels, etc., \$2,500."

By Mr. Lennox:

Q. When did you return from Europe, Senator?—A. In 1929, I think in the month of May. I am not definite about that but I think it was in May.

Q. So that really you got \$8,300 for your expenses?—A. Well, whatever I was paid I got.

Q. Well, outside of the expenses that they may have paid you for going to Ottawa. What did you go over for, intending to do business for them?—A. Partly, yes.

Q. What did the business consist of?—A. Just interviewing people, trying to find out what could be done in the way of getting industries into the Beauharnois district.

By Mr. White:

Q. And whom did you see in Ottawa?—A. I saw lots of people in Ottawa, but nobody specially in particular that I could recall.

Q. Whom did you interview in Ottawa?—A. I never interviewed anybody specially.

Q. And what did they pay your expenses here for if you were not interviewing somebody? Did you come here to look at the Parliament Buildings?—A. I suppose so. I never rendered any accounts for specific services that I had rendered.

Q. No, but I want to know why they were paying your expenses here.

Mr. LENNOX The Senator's expenses would only be his hotel bill because he had free transportation.

Mr. WHITE: I cannot conceive why they paid his expenses for coming up here. Was it to listen to the chimes?

Mr. JACOBS: Or to the debates?

Mr. WHITE: No, not even that.

By Mr. White:

Q. Can you suggest anything that you did in Ottawa which would justify you putting in an expense account to the Beauharnois Power Corporation?—A. No, I cannot suggest anything definite.

Q. I see. Now, are we to take it that notwithstanding the fact, as established by this voucher, that the Beauharnois Power Corporation paid your expenses to Ottawa, you did not interview anybody on their behalf?—A. I cannot recall anybody that I interviewed specially.

Q. No, but will you go so far as to say that you did not interview anybody on their behalf?—A. No, I would not go so far as that.

Q. I see. Then we may take it that you may have?—A. I might have, yes.

Q. Interviewed somebody on their behalf?—A. Yes.

By Mr. Lennox:

Q. Would you be entitled to your expenses if you did not?—A. Well, I don't know. That would be a matter for them to say.

By Mr. White:

Q. No, it would be a matter for a man of your position in life I should say to decide whether it would be proper for you to bill them with your expenses under the circumstances.—A. Well, we will put it this way: I might have thought that I could do something for them and couldn't do it.

Q. Do what?—A. Help them in some way. They were trying to get a lot of things done at the time. But I will say definitely that I did not interview anybody with the idea of influencing anybody into doing anything for them.

Q. What would you interview them at all for if it was not for that purpose?—A. Everybody was anxious at the time to know that this Order in Council was going through. Everybody in the Beauharnois Company was anxious about it, and there were a great many interviews up here with Mr. Jones and members of the departments.

Q. Mr. Jones could not do much for you?—A. Mr. Jones was here practically all that time. He was conducting the whole of the program here in Ottawa.

Q. Well, before we leave it, can you suggest the name of any Cabinet Minister, any Deputy Minister, or any other official of the government who ever raised the objection to the application of the Beauharnois Company that there was a prior application by the Sterling Company?—A. No, sir, I cannot.

Mr. GARDINER: Mr. White, have you finished with those expense accounts for trips?

Mr. WHITE: Yes.

Mr. GARDINER: There is a rumour going around the city and around the House that there was a certain trip made to Bermuda. If you have that account there will you examine the Senator with regard to it?

By Mr. White:

Q. This voucher that I was reading from contains this further entry, Senator McDougald:

April 30th, 1930. Expenses of trip to Bermuda Honourable W. L. Mackenzie King and self, hotel Bermuda \$288.53. Fares Montreal to Bermuda and return \$395.04. Hotel, New York, \$168.75. Total \$852.32.

What do you say about that?—A. May I tell that in my own way?

Q. Was that paid?—A. May I tell that story in my own way?

The CHAIRMAN: I think you had better let the Senator tell his story.

By Mr. White:

Q. Was that \$852.32 included in the cheque No. R369 dated June 13th, 1930, which was paid to you by Beauharnois Power Corporation?—A. I have since found out that it was.

Q. Do you desire to make some explanation?—A. I do indeed. I had been in the hospital in Montreal part of that winter—

Mr. LENNOX: Is that cheque endorsed?

Mr. WHITE: Yes.

Mr. LENNOX: By whom?

Mr. WHITE: By the Senator. Oh, no. This is "For deposit in the Bank of Montreal to the credit of W. L. McDougald" with a rubber stamp, and it appears to have been cleared on the 19th of June, 1930, in the clearing house at Montreal, and is marked paid by the Royal Bank, June 19th, 1930.

The WITNESS: Well, I had been in the hospital in Montreal in February, or thereabouts, for an operation and then went South. I went to Florida. While I was in Florida I got a telegram from Mr. King at Ottawa asking me, or stating that he and Senator Haydon were going to Bermuda for Easter and wanting to

know if I would join them there. I came back up to Montreal. I had been away, as I said, practically three months. I came back up to Montreal and I met Mr. King on his way through, and I told him I did not think I would go down. He said that he would be glad if I could arrange it. I told him I was very busy at the time. I had been in the habit of going off with him at Easter. I have been away with him many times before, and he said that he would like very much if I could arrange to go down for the trip. I told him I could not go with him at that time. He was going on one of the Canadian National boats from Halifax, but I told him if I could arrange it I would join him in Bermuda. I left Montreal and went to New York, and I went to Bermuda on one of the Furness-Withy boats. I got there a day and a half ahead of Mr. King. I had been familiar with the hotel there and the people in the hotel, having been there before, and when I got to the hotel I asked if they would let me see what accommodation they had for Mr. King and his party, and I was shown two rooms, two small rooms in the hotel, and I said to the Assistant Manager that I thought the Prime Minister of Canada should have a better suite of rooms, and he showed me rooms in the front of the hotel, and I thought they were much more suitable. He said to me "Well, perhaps they would not care to pay for the price of those rooms," and I said "That is all right, put it on my bill," and when Mr. King arrived he did not say anything about how the rooms were arranged for and I did not say anything to him. I left there on the Saturday and Mr. King left on the Monday. I got a cablegram to go back to New York. My family were in Atlantic City and I came back there, leaving Bermuda on the Saturday morning and Mr. King left on Monday morning. When I went to get my bill I was presented with the three bills, my own, Mr. King's and Senator Haydon's. I paid by a counter cheque, and I told the accountant,—he asked me how about the extra days that Mr. King would be staying at the hotel, and I told him to put it on my bill and that I would pay for it. I paid with my own personal counter cheque which I have here.

By Mr. White:

Q. How much?—A. \$645.69.

Q. And the date of the cheque?—A. The date of the cheque is April 19th, 1930. I did not tell Mr. King or Senator Haydon that I had paid the bill. When Senator Haydon went to get the bill I understand he was told that it had been paid by me. I was in Atlantic City with my family. I came up to New York and met Mr. King there, and was there again ahead of him and had arranged with the Ritz Carlton hotel at that time to take care of him when he got there. I paid that bill myself. And then when I got back to Montreal sometime later I got another bill from Bermuda for \$56.42.

Q. What was the other one, please?—A. \$56.42.

Q. The first one?—A. \$645.69. I got another bill from the hotel for \$56.42 which I paid, something that was left over that was not paid by my first cheque. I went off to Europe on the 5th of June of that year. I left for Europe on the 5th of June. Before leaving for Europe I was very busy with the opening of the Montreal Harbour Bridge which was opened on the 24th of May of that year. I had been away nearly all the winter and I was busy at the opening of that bridge, and then I sailed again with my family on the 5th of June for England. Before going I was told by Mr. Henry that I had not had an expense account from the Beauharnois company for some time, and would I put it in and that it would be paid. I instructed my office to put in this bill, and I have before me now,—first of all I would like to put on record here an affidavit which I have signed stating exactly what I am stating here now.

Q. Your oath here now is just as good as your affidavit.—A. I just wanted to have it on record.

Q. It will be in the record.—A. And also an affidavit from my secretary who made the error. Now, that is important. It is a remarkable thing, but my own personal bill for the hotel and my own personal bill in New York were not included in the bill that went to the Beauharnois company. The only bill that went to the Beauharnois company. The only bill that went to the company was the bill of Mr. King, and it was never my intention that my own personal trip to Bermuda, or Mr. King's, should have been paid for by the Beauharnois company. I did not know anything about it until I heard it here the other day by a rumour that that is what happened. I immediately took it up with the Beauharnois company. They knew nothing about it. They had had no instructions from me about it, and they say they don't know anything about that.

Q. When was that?—A. That I heard it?

Q. Yes.—A. Just here the other day.

Q. How long ago?—A. A week ago.

Q. All right.—A. To be specific, it was telephoned to me in Montreal that this voucher was in the hands of this committee.

Q. Who telephoned you?—A. I telephoned to Senator Haydon, as a matter of fact, and he told me the bill was in the hands of the committee, and I immediately came up to Ottawa that night, intending to go before this committee the following day to make the statement which I now make. Mr. King knew nothing about my expense account and nothing about the Beauharnois end of it at all. It was a purely personal matter with myself, and I had no intention of charging the Beauharnois Company with any part of the bill for the expenses to Bermuda. The error was made in my office, and there is an affidavit here by my secretary so stating.

Q. I would like to have the secretary here in order to ask him questions if necessary.—A. I will be glad to bring him up.

Mr. JACOBS: Do you object to the affidavit being put in now?

Mr. WHITE: Most decidedly. I would like to have the secretary before the committee so that I may have the opportunity of asking him questions.

Mr. JACOBS: And you object to the affidavit being put on the record now?

Mr. WHITE: I think so.

The WITNESS: I wish to assure this committee that Mr. King had no knowledge whatsoever of this matter. I paid the bill, intending to pay it with my own personal money, and I did it because Mr. King was the Prime Minister of Canada, for one reason, and because he was a friend of mine; I had no intention of charging any part of my account or Mr. King's account to the Beauharnois Company.

By Mr. White:

Q. How did it get charged to the Beauharnois Company?—A. Because my secretary in sending the bill—part of the voucher was for \$2,500, and in making up the bill he put in the bill for Mr. King's expenses, not mine at all.

Q. The amount for the hotel bill is not what you say you paid for Mr. King at all.—A. What is the amount?

Q. The amount you gave me for Mr. King's bill was \$702.11.—A. No; that was the total bill that I paid, and his portion of it was \$265, as I remember.

Q. Then the amount you put in for the hotel in Bermuda was \$288.53?—A. That is exactly what I say. It would be a remarkable thing if I was trying to charge up my expenses to Mr. King.

Q. Did your secretary make this bill out on your instructions?—A. Not definite instructions.

Q. On your instructions, generally?—A. Yes.

Q. What instructions did you give to your secretary?—A. To put in a bill to the Beauharnois Company for my travelling expenses from January of that year to the date it was made out.

Q. And that is all?—A. Yes.

Q. Where did your secretary get the figure of \$395.04 for return fare from Montreal to Bermuda?—A. Because my ticket was taken up by my office in Montreal over the Furness-Withy Line.

Q. I suggest to you that the return fare to Bermuda is \$190, for an outside cabin with a shower bath and all the trimmings?—A. It costs money to travel from Montreal to New York and New York to Montreal. It depends on the kind of accommodation you get.

Q. An outside cabin, shower bath, hot and cold water, both salt and fresh?—A. I have travelled just as often as you have, and I know you can pay various prices for cabins.

Q. Well, this is a good one?—A. Yes; but Mr. King was not travelling with me at all.

Q. That is why I am wondering where your secretary got this figure from?—A. From the money paid for the tickets, for my own tickets.

Q. Are you suggesting that your office paid \$395.04 for your return fare to Bermuda?—A. That is what they told me. I never checked the figures. I do not buy tickets as a rule; my secretary gets them.

Q. Quite so. And you are suggesting that?—A. Yes.

Q. When your secretary comes here I would like to have the voucher for the \$395.04?—A. Very well, sir.

Q. And whether it was Mr. King's bill or your bill, can you suggest and possible reason why the Beauharnois Company should pay it?—A. None whatever; and it was never my intention that they should pay it. I have since sent a cheque back to the Beauharnois Company for the amount that was charged up for that Bermuda trip.

Q. How much?—A. Mr. Griffith can tell you that; he has the cheque; I think it was \$800.

Mr. WHITE: Is Mr. Griffith here?

Mr. FORSYTHE: He is out telephoning to Montreal on some business of yours.

The WITNESS: I have here a copy of a letter which went with the cheque which I should like to read if you will allow me to do so?

By Mr. White:

Q. I shall be very glad to hear it.—A. The letter is dated July 16, 1931, and is addressed to the Beauharnois Power Corporation:—

July 16th, 1931.

Beauharnois Power Corporation,
University Towers Bldg.,
Montreal, P.Q.

Attention, Mr. H. B. Griffith

DEAR SIRs:—I only learned yesterday that the auditors of the Committee now inquiring into the Beauharnois Power project had reported that your company had paid me an account that included amongst other items, personal hotel accounts, etc., of Hotel Bermudiana, Bermuda, with the Rt. Hon. W. L. Mackenzie King and my own expenses in connection with trip to Bermuda, April, 1930.

I was absent in England when this account including such item was sent by my secretary to you and was still absent in England when your cheque for this account was received by my secretary. I had no knowl-

edge whatever until a couple of days ago that your company paid this account of my expenses on this trip to Bermuda including the above item of Mr. King's expenses.

It was never my intention to charge the company either my own or Mr. King's expenses in connection with this trip and I would like immediately to refund you the amount of such expenses and therefore enclose herewith my cheque in your favour for such an amount which I understand covers everything paid me by you in error in connection with this Bermuda trip.

Yours very truly,

WLMcD
Enc.

It does not mention the amount, but it was \$800.

Q. As we have it now, the company paid this amount, and since the institution of these proceedings you have refunded it?—A. I did not know it until this time, and then I refunded it.

Q. And, as they say in the modern agreements, if, as and when this cheque is cashed this item will be reversed?—A. Yes.

Mr. JACOBS: It is significant that that date coincides with the day that Mr. Aird began to deposit his bonds in the various banks in Toronto.

Mr. WHITE: Yes, that is right; it was the 14th. Great minds run in the same direction.

Now, I think Senator McDougald and I can part company.

EXHIBIT No. 118

Hotel Bermudiana guest accounts Nos. 15687 and 15724 in the name of W. L. McDougald, totalling \$288.53.

Statement of expenses of trip to Europe, trips to Ottawa, hotels, etc., dated November 22, 1929, and statement of expenses of trip to Bermuda, dated April 20, 1930, totalling \$3,352.32.

Beauharnois Power Corporation, Limited voucher No. R369 to Hon. W. L. McDougald for the sum of \$3,352.32.

Beauharnois Power Corporation, Limited cheque No. R369 dated June 13, 1930, in favour of Hon. W. L. McDougald for the sum of \$3,352.32, signed by H. B. Griffith, and R. A. C. Henry, and endorsed: For deposit in Bank of Montreal to the credit of Hon. W. L. McDougald.

Mr. JACOBS: Are you finished?

Mr. WHITE: Yes.

By the Chairman:

Q. Senator McDougald, I understand that when moneys are paid out of the trust company's bank to carry on the contract of the Beauharnois Company they are paid out pursuant to a trust deed as estimates are given?—A. Yes.

The CHAIRMAN: Has that trust deed been marked as an exhibit?

Mr. MONTGOMERY: Yes.

The CHAIRMAN: Let me see it.

Q. That trust deed has to do with the issue from time to time of temporary bonds which may go as high as \$50,000,000 under the resolution of the company—is that right?—A. I could not say definitely as to that, Mr. Chairman, because I am not familiar enough with it to discuss it.

Q. Do you know upon whose certificate the trust company accounts are passed from time to time?—A. No, I could not tell you that, sir.

The CHAIRMAN: Let me see the share register of the Beauharnois Power Corporation.

Has any member of the committee any further questions to ask Senator McDougald at the present time?

Mr. WHITE: There is one other matter I would like to take up, Mr. Chairman. Mr. Gardiner asked Senator McDougald to bring his counter cheques and letters here.

Q. Have you got those?—A. No, sir; he did not ask me to do that.

Mr. GARDINER: Mr. Dorion asked for them.

The WITNESS: Do you mean in connection with Bermuda?

Mr. DORION: Yes.

The WITNESS: I have them right here.

By Mr. White:

Q. Let me have them and I will file them as one exhibit.—A. They are attached to this document. I will just have to tear that off.

Mr. WHITE: They will be Exhibit No. 119.

EXHIBIT NO. 119

Beauharnois Power Corporation voucher No. 92552, dated Montreal, April 19, 1930, *re* Hotel Bermudiana account for the sum of \$645.69, signed by W. L. McDougald.

Bank of Montreal cheque No. 1570, (92605) dated Montreal, April 25, 1930, in favour of Hotel Bermudiana or order for the sum of \$56.42, signed by W. L. McDougald.

Mr. WHITE: I have been supplied with Colonel Thompson's docket, and in reference to those two entries we were discussing of the 1st and 15th March, 1928, I find this to be the docket entry:—

March 1: Continued work on Hill. Ints. with Senator McDougald and with Mr. Jones.

So we now know who the mysterious "Senator M." was.

On the 15th March the entry is:—

Impt. interview with Senator McDougald.

Q. In view of these entries, what do you say?—A. I say that I suppose Colonel Thompson was carrying out his duties here as a lobbyist and was trying to get me to help, or was trying to get some information from me.

Q. It says: "Important interviews"?—A. I do not know how important he would consider that. As a member of the Senate I have often been interviewed by lawyers and counsel here in connection with bills coming before the committees.

Mr. JACOBS: Apparently it was not important because he did not charge for it.

Mr. WHITE: He did not make a specific charge for it.

The WITNESS: It is lumped in.

By Mr. White:

Q. He did not make a specific charge for it?—A. No. It would be a little thing. I was being constantly asked to do, and I am sure other Senators are, when bills are coming before the Senate, to give them interviews, and I refused to give anybody interviews. Whether lawyers charge for that interview, is no concern of mine. I know nothing about it. All I can say it was not at my request or any business of mine.

Q. Evidently Col. Thompson considered it important?—A. That is his affair, not mine.

Q. He considered it important enough to charge it up to Beauharnois?—A. Lawyers have a habit of charging a lot of things.

Q. Not to Beauharnois; I have not had that pleasure yet?—A. No, I have had enough experience to know they charge for things that are not very important.

Q. Do they? Your lawyers may get away with it.

Mr. WHITE: Col. Thompson, you are already sworn.

Col. THOMPSON: Yes.

By Mr. White:

Q. This is your docket?

Col. THOMPSON: That is my docket.

Q. Containing all the pages. Starting from page 100, the first entry is on October 27, 1927.—A. Yes.

Q. And the entry is charged up to Dominion Securities?—A. Yes.

Q. R. W. Steele?—A. Yes.

Q. And is carried through in that way?—A. Yes: I don't know, it may be Beauharnois afterwards; as I explained in my previous testimony I afterwards acted for Beauharnois.

Q. You go from page 100 to 118, and it is still Dominion Securities.—A. Yes.

Q. And from 118 to 124, still Dominion Securities?—A. Yes; it appears to be carried on in that way.

Q. From 118 to 145, still Dominion Securities.—A. Yes.

Q. From 145 to 170, still Dominion Securities, 187 still Dominion Securities. Is that the end?—A. Well, it is just as you see there, Mr. White. I do not know myself. There is 197, but it looks like 191. Here is 197, 191 and 216.

Q. Yes. The last entry is December 12, 1929, received payment.—A. Yes.

Q. October 12th, is it?—A. October 12th, that is right.

Q. The last charge being January 9, 1929.—A. Yes.

Q. And carried all the way through in the name of Dominion Securities.—A. My bookkeeper would carry it out on the first entry.

Q. I understand.—A. Yes.

Q. You did not change the name of the account.

By the Chairman:

Q. Did you have an interview with Senator McDougald?—A. Well, I presumed, from the charge made there, I had some. I look upon Senator McDougald as an important man, and if I had an interview with him, I think it would be an important interview.

Mr. JACOB: Not any interview, you may have lunch with him.—A. Well, that would not be business.

The CHAIRMAN: I suggest that the entry in the ledger might be changed to read, "interview with important Mr. McDougald."

The WITNESS: Or better still, an important interview with important Senator McDougald.

Mr. WHITE: Either one.

By Mr. White:

Q. Would it be by reason of the fact that Mr. Jones was along that your first entry is—A. Yes.

Q. Interviews—ints, I suppose that is interviews.—Yes.

Q. With Senator McDougald?—A. Yes.

Q. And Mr. Jones.—A. Yes.

Q. When it comes to seeing Senator McDougald alone, it becomes important.—A. Oh, I hardly think that that is a fair inference. No two interviews are quite alike, Mr. White. The first interview may have been very short, and the second one may have been quite a lengthy one. It is two and a half years ago, and I cannot go back to the interview. You cannot, I think, in your own law office.

Q. What I can do and what I cannot do is of no interest to this committee whatever. They pay me by the day.—A. I never got a per diem, I wish I could. Do you want anything further from me?

Q. These entries here are correct entries of your daily activities?—A. Oh, I fancy so, Mr. White. There is my ledger; it is all before you.

Q. It is not a ledger, it is a docket.—A. Well then, a docket.

Mr. JACOBS: Your life, Colonel, is an open book.

Col. THOMPSON: Yes, exactly, Mr. Jacobs, and nobody knows my life better than you do.

Mr. WHITE: That will be all, thank you.

I was indicating, Mr. Chairman, what the activities were, and I thought perhaps I might read a few of those entries.

The CHAIRMAN: Very well, go on.

Mr. WHITE: Starting at January 14, 1928. Very long and important interviews with Mr. W. A. leading newspaperman from Montreal; 15th, interview with two leading Maritime provinces men and getting their views as to Maritime attitude; 17th, morning, conference with Messrs. Greene and Sifton, re form of application to be made to the Department of Public Works and Railways and Canals; conference with Messrs. Griffith and Daly; evening, important interview with Mr. Greene *re* tomorrow's work; 18th, nearly all morning engaged filing applications, and so on; 19th, important interviews; morning, interviews with Mr. Greene at his request; 20th, interview with Mr. Greene. Then we get back to the later stage, starting on February 1, nearly all afternoon engaged; 2nd, very long conference with work on the hill; 3rd, conference with Messrs. Pugsley, Greene and Moyer *re* plan of campaign; with Senator Reid; work at Commons and important interview with Senator Reid; 6th, interview with Mr. McPhee, M.P.

The CHAIRMAN: Senator R. may have been Senator Reid.

Mr. WHITE: Senator Reid, it is. Afternoon interview with Mr. McLean, M.P.; conference with Major Moyer; other work on hill.

Mr. JACOBS: Do you think all that is necessary?

Mr. WHITE: I am just showing what the work consisted of.

Hon. Mr. MACKENZIE: I think you have done that already.

Mr. WHITE: 14th, work on hill; afternoon, interview and so on; work on hill; work on hill; 21st, work on hill, and so on.

Mr. JACOBS: Yes.

Mr. STARR: May I ask Senator McDougald a few questions? I think Mr. White and the committee have covered all but three or four matters. Senator McDougald, I am reading from exhibit 24, the Commons Debates, a speech made by Mr. Gardiner:

Senator McDougald was interested in the promotion of the Beauharnois Light, Heat and Power Company in 1927 before the Legislative Assembly of the Province of Quebec.

Is that true or not?

The WITNESS: Absolutely untrue. I knew nothing about it at the time; took no part in it at the time.

Hon. Mr. CANNON: This is all subject to my objection, I understand.

By Mr. Starr:

Q. Then, continuing, on the same page;—this is the conclusion that Mr. Gardiner draws:

If it is not true,—

referring to your speech in the Senate,

then Senator McDougald deliberately deceived the Senate and the people of Canada.

Q. Was your speech true, that you had no interest in Beauharnois?—A. Absolutely true.

Q. Now, one more question. Some question arose as to your position on the Senate and as chairman of the Montreal Harbour Board. Is there any similar situation in the Dominion that you know of?—A. Well, I recall quite distinctly that at the time there was some question as to whether a Senator could sit as chairman of the Harbour Board, and the precedent for that was the Hon. Mr. L'Esperance, who sat on the Quebec Harbour Board as chairman, and was a Senator at the time. That was the precedent on which I was appointed to the Harbour Board as chairman.

Mr. STARR: I think that is all, sir.

By Mr. Jacobs:

Q. You did not accept emoluments or indemnity as a Senator while you were there?—A. No. That was the only objection that no person, I understand, could draw two salaries from the government, and I waived the salary as a harbour commissioner and drew the Senate—

Q. You waived it on the harbour?—A. As a harbour commissioner.

Q. You drew the emoluments from the Senate?—A. As a Senator.

Q. How much were they on the Harbour Commission?—A. \$7,000 as chairman.

The CHAIRMAN: From what page of Mr. Gardiner's speech were you reading?

Mr. STARR: I was reading from page 1878.

Mr. WHITE: An important year in the history of this country.

Hon. Mr. MACKENZIE: More Tory propaganda, as counsel for the Tory party—

Mr. FORSYTHE: Mr. Griffith has just produced the cheque which was forwarded him by Senator McDougald in the letter of July 16, which Senator McDougald read. The cheque is for \$852.32. Mr. Griffith does not want it filed as an exhibit, because he has not cashed it.

Mr. WHITE: It is not cashed yet?

Mr. FORSYTHE: No; but he proposes to cash it.

Mr. WHITE: He has been losing a lot of interest since July 14.

Mr. FORSYTHE: He has been losing interest on some other cheques too.

By the Chairman:

Q. Referring to the question Mr. Starr put to you, Senator McDougald, is it your position that you took no interest whatever, nor did you do anything in connection with securing any rights for the Beauharnois Light, Heat and Power Company from the Province of Quebec?—A. Absolutely, none whatever. I took

no part whatsoever in any of the activities of the Beauharnois Company while they were before Quebec. I knew nothing about their work. I did not know that they were even trying to get any rights.

Q. The reason I asked you that is on account of Mr. Geoffrion's bill. These interviews were at the time the amendment to the charter—the bill providing for amendment to the charter was before the Quebec Legislature. You say that if you had any interviews with Mr. Geoffrion, they had nothing whatever to do with the application before the Province of Quebec.

Hon. Mr. MACKENZIE: I understand you to say that the interviews between Mr. Geoffrion and Senator McDougald were in 1927?

The CHAIRMAN: Some of them.

Hon. Mr. MACKENZIE: I understand the first one was 1928.

Mr. WHITE: December 17, 1927.

Mr. MACKENZIE: I want to check that up; you are wrong.

Mr. WHITE: I may be wrong.

Hon. Mr. MACKENZIE: You are both wrong.

WITNESS: Might I say, Mr. Chairman, that while I was chairman of the Montreal Harbour Board there was hardly anything that took place with regard to affairs Maritime that I was not asked about, having in mind what the attitude of the Montreal Harbour Commission would be. Now, I can readily conceive, in thinking it over, that Mr. Geoffrion might have asked me whether or not the Harbour Commission of Montreal would have any objection or opposition to any such move of this kind. It happened in one case, I remember distinctly, of a power company which wanted to make a development at the Back River, which is behind the Island of Montreal. An objection was made by the Harbour Commission of the day—their engineers—that by the diversion of that water down the Ottawa River it would lower the water in the levels of the harbour of Montreal, and on that ground it was defeated. Now, there was hardly anything that came up of a Maritime nature that I was not asked about by whomever happened to be interested. Then, let me say definitely that I have been undoubtedly, many times, in Ottawa, as a member of the Senate—I have been lobbied—perhaps that is the word to use—when Bills were coming up to see what my opinion would be or what my vote might be, and I think that happens to every member of the Senate, and also to a great many members of the House of Commons; but that does not mean in a consideration of that nature, that I was implicated in any way.

Mr. STARR: Mr. Thompson's Bill discloses—

WITNESS: Yes. Mr. Thompson's Bill—

The CHAIRMAN: Does any member of the committee want, at the present time, to ask Senator McDougald any question?

Witness retired.

The CHAIRMAN: Who is your next witness, Mr. White?

Mr. WHITE: I think Mr. Symmes desires to make a statement with regard to one or two witnesses.

The CHAIRMAN: Who are they?

Mr. SYMMES: Mr. Bergevin.

The CHAIRMAN: Have you had an interview with Mr. Bergevin?

Mr. SYMMES: I have interviewed Mr. Bergevin. It did not appear to me that the evidence would be of any substantial interest to the committee. However, I requested that they give me a memo of the points that they desire to cover, and it is as follows: there is a reference at page 767 and 768 to the name

of Achille Bergevin as to Mr. Henry's interest in the matter, and Mr. Sweezey being in negotiation with him in respect of Beauharnois. The references are very short.

The CHAIRMAN: What is the page number?

Mr. SYMMES: 767 and 768. One is at the bottom of page 767. The other is at the top of page 768. The first two questions.

The CHAIRMAN: Go on with your statement.

Mr. SYMMES: I wish to file what he styles original letters. He has shown me several letters. They do not seem to be of particular interest. He also refers to four letters between Premier Taschereau and Premier Ferguson regarding the interest of the two premiers in the Beauharnois, and the power he wishes to get.

The CHAIRMAN: What is the substance of the letter—trying to establish some rights between the provinces?

Mr. WHITE: No. I think he was the one who brought about the rapprochement between the two Prime Ministers.

The CHAIRMAN: Let us hope that Premier Taschereau and ex-Premier Ferguson will always be good friends.

Mr. SYMMES: Next, he wishes to give evidence as to an interview in 1923-4 with Senator McDougald at the Senator's offices at the Harbour Commission in Montreal, and produce a letter that he wrote to the secretary of the Harbour Commission, giving information on Beauharnois, and to make a statement with reference to a trip to his home at Beauharnois within a matter of a year thereafter by Mr. Henry, and a meeting of the two and the Robert heirs; and lastly, there is this statement in the memo,

I own the powers of the southwestern railway covering the same area as the Beauharnois Power Corporation.

The CHAIRMAN: What is it—some civil conflict, between the parties?

Mr. SYMMES: I judge so. I do not think the writ has been issued, but I think, perhaps that is in contemplation.

The CHAIRMAN: Unless there is something in that evidence that has a direct bearing on anything that will serve a useful purpose before this committee, I think we should exercise some care to see that this committee is not being placed in a position of being a tribunal used for the purpose of promoting anybody's private litigation. Am I expressing the opinion of the committee?

Mr. WHITE: I might say that Mr. Morin has had a long discussion with Mr. Bergevin.

Mr. MORIN: There is nothing to interest this committee.

The CHAIRMAN: In your opinion, after interviewing Mr. Bergevin, with a view to determining what his useful knowledge is with reference to the matters in this Order of Reference, your view, as counsel, is they would not be helpful?

Mr. MORIN: Only private matters between Mr. Sweezey and Mr. Bergevin.

The CHAIRMAN: It would have no useful bearing on the subject?

Mr. MORIN: None at all.

The CHAIRMAN: I think we should accept counsel's opinion.

Mr. SYMMES: I also spent a substantial length of time with them, and I came to the same conclusion.

The CHAIRMAN: The committee is unanimous that the evidence is not useful.

Hon. Mr. MACKENZIE: I would like to recall Mr. Aird, junior, for two or three questions.

The CHAIRMAN: Mr. White, the members of the committee have had a further discussion with regard to Mr. Bergevin. Mr. Bergevin seems to feel that the committee has not given him an opportunity to say something which he feels is useful. I think that I am now expressing the view of the committee when I say that we will call him and let him talk if he wants to.

JOHN AIRD, junior, recalled.

Mr. WHITE: Now?

The CHAIRMAN: Finish with Mr. Aird first.

Mr. HUYCKE: May I point out that Mr. Aird appeared before the committee on Friday, and he was then offered the protection afforded by the Canada Evidence Act. At that time he had not received advice from me. He now wishes to be afforded, if the committee sees fit, protection under the Canada Evidence Act, section 5, and asks that that protection be made applicable to the evidence heretofore given as well as the evidence he is about to give now.

The CHAIRMAN: You can arrange with Mr. White as to that, Mr. Huycke.

By Hon. Mr. Mackenzie:

Q. Mr. Aird, in regard to these bonds we discussed the other day, \$120,000, did you pay income tax on those bonds?—A. They were tax free bonds.

Q. They were tax free bonds in every case?—A. Yes.

Q. Did you yourself personally collect the coupons on those bonds?—A. Yes.

By Mr. Jacobs:

Q. What denominations and what year?

By Hon. Mr. Mackenzie:

Q. Mr. Jacobs wishes to know the denomination and the year.

Mr. WHITE: We have it.

Mr. JACOBS: I want to see whether they were really tax free or whether he considered they were tax free.

The WITNESS: Mr. White has a schedule there, Mr. Jacobs.

By Mr. Jacobs:

Q. And if you did not pay any income tax on them it was because they were tax free?—A. Yes.

By Hon. Mr. Mackenzie:

Q. What relation are you to Mr. J. H. Black of Toronto?—A. None whatsoever.

Q. Do you know him?—A. Sure.

Q. Did you have any transaction with him in regard to those bonds?—A. No, sir, I did not.

Q. Has your brother any relations with J. H. Black?—A. That is his father-in-law.

Q. Did one of your companies get into difficulties yesterday in Toronto?—A. I beg your pardon?

Q. Did one of your companies get into difficulties yesterday in Toronto?—A. I was not there yesterday, but they didn't. They got a contract on Saturday morning.

Q. So that my information is incorrect, that the sheriff is in possession of one of your companies in Toronto?—A. Pardon?

Q. I say that my information is incorrect then that the sheriff is in possession of one of your companies in Toronto.—A. Incorrect. I don't think so.

Q. You do not know of any financial difficulties of any of your firms?—
A. No, I do not.

Q. And you had no relations directly or indirectly with Mr. J. H. Black in connection with the bonds?—A. I see Mr. Black very seldom.

Q. That is not my question at all. You had no relations directly or indirectly with Mr. Black in regard to those bonds?—A. No, sir, I did not.

Q. Did you ever inform Mr. Black that you were in possession of those bonds?—A. No, sir.

Q. Do you know if Mr. Black has any relations with the Abitibi Power Company?—A. I believe he did have at one time.

Q. You do not know if he has now?—A. No. I believe he is now president of the Dominion Construction Company.

By Mr. Jacobs:

Q. We are advised, Mr. Aird, that a company of which you are the president was declared bankrupt this week and the sheriff is in possession.—A. Which one?

Q. Well, how many have you?

By Hon. Mr. Mackenzie:

Q. Are they all liable to be in that state?—A. I don't know, they might be. I do not know of any companies that I am interested in that are bankrupt. Which one are you referring to?

The CHAIRMAN: I think you should give him the information.

Mr. JACOBS: We have this on very good authority. I am asking the witness the question.

Q. Is it untrue?—A. Well, I do not know of it. I was not in Toronto yesterday.

Mr. LENNOX: Let him know the name of the company.

By Mr. Jacobs:

Q. What are the names of the companies you are identified with now?—
A. St. James Court.

By Hon. Mr. Mackenzie:

Q. Is it in a sound financial condition?—A. When I last heard of it, yes.

Q. When did you last hear of it?—A. Monday last, I think.

Q. Monday last, and it was quite sound then?—A. As far as I know.

Q. What is the next company?—A. Concrete Masonry Restoration Limited.

Q. Is it quite sound?—A. I was in the office there on Saturday morning. As far as I know it is. We got a good contract Saturday morning.

By Mr. Jacobs:

Q. You did not meet the sheriff there Saturday morning?—A. No, I did not meet the sheriff there.

By Hon. Mr. Mackenzie:

Q. What is the next one you have got?—A. Champlain Construction Company.

Q. Is it quite sound?—A. Well, we have not got a job yet.

Q. Is it in a sound financial position? Have you any assets at all?—
A. We have assets, what I put up there myself.

Q. When?—A. Well, I put some up there, and the first job we bid on was for the Hamilton bridge, and we were second low on that. I had bonds up then. And we had another bid up for the St. Clair street viaduct.

Q. And that company is quite sound now?—A. Well, I would say so.

Q. Any other companies you have?—A. No, not that I know of.

Q. They are all quite sound?—A. As far as I know. I hope they are at least. I have been away so long they might be bad.

By Mr. Jacobs:

Q. Some evilly disposed persons have suggested that these bonds that you spoke about yesterday, or at least last Friday, and which were moved from your vault into the banks and upon which you obtained loans, were so placed in order to prevent the creditors of your various companies from being paid what is justly due to them.—A. Well, we haven't got any creditors to any extent, you see.

Q. Well, to any extent, but to the extent you have?—A. I do not think that we have any creditors in any company I am connected with.

By Mr. Lennox:

Q. Are they limited corporations?—A. All limited corporations.

Mr. LENNOX: Then you are not liable.

Mr. JACOBS: We are testing the credibility of this witness, Mr. Chairman, and no person knows better than you that we can ask him any question we like.

The CHAIRMAN: How are you testing his credibility if you are asking whether some company in which he has an interest is in an insolvent condition?

Mr. JACOBS: Do you think any bank in Canada would deal with any tuppenny-halfpenny company that did not have the security of the president or other officers of the company?

The CHAIRMAN: Who is disputing that?

Mr. JACOBS: That is my answer to Colonel Lennox.

The WITNESS: I should like to go over a little bit of the evidence I gave on Friday. I want to say that this is my first experience in a witness box, and probably a lot of the things you asked me did not come out in as favourable a light as they might have.

I would like to start from my employment with the Imperial Oil. As soon as the war was over I was employed by them as Assistant Engineer in Halifax. Three months time after that I got a raise in salary and was made an engineer. Nine months after that I was appointed Assistant Superintendent at Montreal with another raise in salary, and at the end of another six months or so I got another raise in salary. The Imperial Oil, if you asked them to-day, would say that I am just as good as I was then.

Mr. JACOBS: Or better.

The WITNESS: The Richardson Company, who were a New York firm of engineering accountants, asked me to go and represent them in Montreal where I was living, at a greatly increased salary from what I was receiving from the Imperial Oil, and I took it. They had a better business while I was there than they had ever done before, and I moved to Toronto to open another office. At that time I bought in this Woollen Mill which, as you know, was unsuccessful, principally because of the tariff and also due to the fact that we bought it too high.

Now, during that period that I was in Toronto I was in partnership with a man by the name of Millard, and we worked on many propositions. The first one was the construction of the St. James Court Limited. We borrowed \$250,000 in New York, built the apartment and still own it, still operate it, and it is worth now, according to the auditor's report, over \$500,000.

By Mr. Jacobs:

Q. Are you in it?—A. Yes, sir, I am in that. According to the auditor's report it has an appraisal value of \$500,000.

By Hon. Mr. Mackenzie:

Q. Do you own part of it?—A. Oh, yes.

By Mr. Jacobs:

Q. Are you still in it?—A. I am still in it. I control it.

Q. Then I suggest to you that you return to Mr. Sweezy his \$125,000.—A. Then may I go along to my further story? After the apartment house was built Millard and myself—the Woollen Mill had gone bad then and Mr. Millard had nothing to do with it. We started in on the Madawaska River. It runs from Fitzroy up to Algonquin Park.

By Mr. White:

Q. You mean from Algonquin Park to Fitzroy.—A. We spent a great deal of time on this matter getting the information and also finding out as to the waterfall and the actual elevation of the river all the way down. I need not go into detail on that. We tried for some time to sell the proposition to the Hydro, or someone else, but we were unsuccessful in doing so at that time. However, we took it to Mr. Gundy and asked him if he would be interested, to finance it and take it to the Hydro. We had options at that time from M. J. O'Brien Company, Limited, Ottawa. Mr. Gundy took it up but unfortunately he was not able to get a contract because probably the opposition, who was Mr. Graustein and the Gatineau Power Company, had a more beneficial contract than Mr. Gundy. After that, as I mentioned the other day, in my interview with Mr. Ferguson—

Hon. Mr. MACKENZIE: Mr. Ferguson says he never met you.

The WITNESS: Well, he probably never would.

By Hon. Mr. Mackenzie:

Q. Meet you or remember it?—A. Remember. He said the Hydro Electric Power Commission had everything to do with it. We were about a year working on that, and we persuaded Mr. Magrath who was then Chairman of the Hydro Electric Power Commission—and we knew that the Hydro Electric Commission did want power at each period of the year, and we knew they wanted power just about that time, and Mr. Magrath suggested that he hated to see us lose all we had in the matter because we had done so much in connection with the thing, and that he would figure that we would be able to get what we desired out of the thing if we would step aside and let the Hydro Electric Power Commission buy the thing themselves, that is, direct through M. J. O'Brien Company Limited and he said then we would be reimbursed accordingly. We decided to do that, with the understanding with Mr. Magrath that we would give assistance not only to Mr. O'Brien but to the Hydro if required. Mr. O'Brien asked my assistance and I was able to purchase two options for him on the river and turn them over to him. After this deal was consummated with the Hydro we were reimbursed, or at least I figured that when I mentioned this figure of \$50,000 we were reimbursed. Mr. Millard was not there—

By Mr. Lennox:

Q. Which deal are you speaking of, the Madawaska?—A. I said the Madawaska deal was unsuccessful in that way that we did not get the contract, but we were very instrumental, at least I figured we were, in selling that to the Hydro Commission.

By Mr. Jacobs:

Q. The Hydro gave you \$50,000 to step aside?—A. Yes.

Q. Was that to give them some value?—A. We must have given them some value, although you asked me the direct question the other day—

Q. We are not investigating the other proposition, but I want to know how you can justify the \$125,000 deal with this \$50,000 deal?—A. Well, I am just wanting to point out those things to you, because I would not like to consider I was so foolish as I appeared to be on Friday, which I admit I was. May I go on further.

At the time the Madawaska deal was finished up Millard and I had broken partnership, although we are still both interested in the St. James Court. Then I started the Concrete Masonry Company, and this Concrete Masonry Company had a fairly good business the first year which took me a great deal to Montreal, and it was at that time that I got wind of information regarding Mr. Sweezey. I knew Mr. Sweezey, and knowing what he was after—

Q. You knew what Mr. Sweezey was after?—A. Yes. The only reason why I say \$120,000 was that the contract he was trying to get from the Hydro on the Madawaska was \$50,000 for 100,000 horse-power.

Q. You were working on a horse-power basis.—A. Well, that is the way it looked.

By Mr. Jacobs:

Q. I am told that you first met Mr. Griffith in Toronto, that the first time you cast your eyes on Griffith was in Toronto?—A. I do not remember that I first saw him in Toronto; I think I saw him in Montreal, if any place; that was the night I got the cheque from him.

Q. How did he come to you? He had to have you identified in some way?—A. I do not think I met him in Toronto; I think I met him in Montreal.

Q. I suggest to you, Mr. Aird, that he came up to Toronto to identify you as being the proper person to take up the swag, and that that is where he saw you for the first time, and when you came down to Montreal for the money he knew you. What do you say to that?—A. I say it is incorrect. I came down to Montreal myself. I had no dealings in regard to money of any sort except with Mr. Sweezey. Mr. Griffith was there when I received the money.

By Hon. Mr. Mackenzie:

Q. Was Sweezey there when you received the money in Montreal?—A. Yes.

Q. And Griffith too?—A. Yes, both of them.

By Mr. Jacobs:

Q. Griffith knew you from having seen you in Toronto?—A. Whether he met me in Toronto or not I do not know, but I met him in Montreal.

By Mr. Lennox:

Q. I understood you to say you went to University with Sweezey?—A. I thought he was at the University at the same time, but now I find out that he was a professor at R.M.C. when I was at Queen's. Kingston is not a very big town, except on the outskirts.

By Mr. Jacobs:

Q. So you were not college companions as you stated, but you knew Sweezey when you were at Queen's University?—A. Yes. I just want to tell you I was not as foolish as I appeared to be.

Q. Any man who can get away with \$125,000, the way you did is not a fool.—A. Thank you very much.

Mr. WHITE: May I ask the witness a few questions, Mr. Chairman?

The CHAIRMAN: Yes.

By Mr. White:

Q. At the time you were competing with Graustein for the Hydro Electric contract which resulted in Mr. Graustein getting the contract, did that competition have the result of reducing the original price quoted by Mr. Graustein for the power?—A. Oh, yes.

Q. And at the time you first spoke to Mr. Sweezey were you then competing with Mr. Sweezey?—A. Yes. If I remember rightly I said: "What do you think it is worth?" and he said: "\$100,000," and I said: "No; 50 cents per horse-power, \$125,000."

Q. But were you competing for a contract with the Hydro Electric Commission at that time?—A. No.

By Mr. Jacobs:

Q. Sweezey said what?—A. I said: "What is my experience worth?" and he said: "\$100,000," and I said: "No; let us call it \$125,000 or 50 cents per horse-power."

Q. Your experience with what?—A. With the Madawaska.

Q. You got the Madawaska to withdraw?—A. No, you are mistaken. When we were dealing with the Madawaska we were the people who were the intermediaries.

Q. And you withdrew?—A. Yes.

Q. You withdrew, and the Madawaska came in?—A. No. Mr. O'Brien and the Hydro Electric Power Commission came together, and they put it frankly to me along with O'Brien and Magrath in order to expedite matters.

Q. And you withdrew and the other company got the contract?—A. No. You still have me wrong. There is a long series of things in the Madawaska covering a period of four years, and this deal I withdrew from was the purchase of the Madawaska River rights, etc., by the Ontario Government.

By Mr. White:

Q. By the Hydro Electric Power Commission?—A. Yes.

Q. From Mr. O'Brien?—A. From M. J. O'Brien, Limited.

By Mr. Jacobs:

Q. Of what value was that experience of yours to Mr. Sweezey who had already acquired all these rights from the Government and other people?—A. I can say no more than my experience in turning over the Madawaska. I mentioned it to him at the time. I was very instrumental. That was the bargain I made with him, that if he wanted my experience there it was available.

Q. Experience of what?—A. Do not you think a \$50,000 payment by the Hydro is something?

By Hon. Mr. Mackenzie:

Q. Did you see the Hydro Power Commission in connection with helping Sweezey?—A. I never saw anybody in connection with the Hydro or the Ontario Government, as I mentioned before.

Q. You did in connection with the other deal?—A. Yes, I pestered the life out of Magrath and McCrea, and that is probably one of the reasons why they got me out of the road. Another thing I would like to say is that I built the hotel in Halifax, and that was no mean thing.

By Mr. Jacobs:

Q. We are dealing only with your taking \$125,000 from these gentlemen. You say your experience with the Madawaska when turned over to Sweezey was worth \$125,000?—A. Mr. Sweezey made that bargain.

Q. You say Sweezey thought it was worth it?—A. Yes, guaged on horse-power; he was going to get 250,000 horse-power at 50 cents per horse-power.

Q. And he was to give you 50 cents per horse-power when he got 250,000 horse-power from the Hydro, and that made it \$125,000, based upon your experience with the Madawaska?—A. Yes.

Q. And you put that up to him?—A. Yes.

Hon. Mr. MACKENZIE: And did nothing.

Mr. JACOBS: Did nothing.

The WITNESS: I did as much as I was asked to do.

Mr. LENNOX: He did as much as Senator Haydon and Mr. Henry who got nearly \$1,000,000.

By Hon. Mr. Mackenzie:

Q. What did you do in connection with this project—anything at all?—A. The only thing is what I mentioned the other day. There was some argument as to who should pay from the Quebec border to the power house, and I suggested to Sweezey that he build the line according to what the Hydro wanted.

By Mr. Jacobs:

Q. It has also been suggested by other evilly-disposed people that all the money you got was \$800 odd and that the balance was being carried by you for some person or persons as yet unknown?—A. Quite incorrect.

Q. You do not know why you got \$800 odd in cash?—A. Yes, the difference between the market price of the bonds and \$125,000.

Q. You took that in cash?—A. I did not argue about whether it was cash or not.

The CHAIRMAN: Henry and Senator McDougald got \$1,100,000 from—

Hon. Mr. MACKENZIE: That has nothing to do with this matter.

Mr. JACOBS: Do you suggest that because other men were crooks this man is entitled to be called a crook?

Mr. LENNOX: I do not think that that is fair to Mr. Aird. If Sweezey was fool enough to think Aird's experience was worth \$125,000, why do you blame Aird?

Mr. JACOBS: If you think that was so.

Hon. Mr. MACKENZIE: Sweezey's evidence was that the money was for the Conservative Party of Ontario.

The CHAIRMAN: There is no such suggestion on the record.

Hon. Mr. MACKENZIE: There are two direct pieces of testimony in which it was stated that it was for the Conservative Party of Ontario by Griffith and Sweezey.

Mr. WHITE: That is only the testimony of one witness.

Hon. Mr. MACKENZIE: Two witnesses.

Mr. WHITE: Griffith speaks only as to what Sweezey told him. It is a direct controversy between Sweezey and Aird.

The CHAIRMAN: It is very easy to make these baseless assertions.

Mr. LENNOX: You asked these bankers to come here thinking you would be able to trace these bonds into the hands of some other person. They came here, and strange to say, you were not very anxious to hear them; but they did give evidence and traced every single bond that was given to Aird.

Mr. JACOBS: They said Aird brought these bonds to the bank last week. They do not know where the bonds were before. Aird stated he had them in his own box in the bank.

The WITNESS: That is right.

By Mr. Jacobs:

Q. Why did you move them from your own box to the bank?—A. I have told you that.

Q. You have given us a second version today?—A. I do not think I have changed my evidence in that regard.

Hon. Mr. MACKENZIE: As I suggested the other day, I think it is a matter for further investigation.

Mr. WHITE: At the time you were talking to Mr. Sweezey did you have any—I was going to say “nuisance value”?

Mr. JACOBS: He did not even have that.

Hon. Mr. MACKENZIE: He had nothing.

By Mr. White:

Q. Let us see whether or not you were in the way with any application that you had or any dealings you had with the Hydro Electric Power Commission at that time?—A. I do not think so, no.

Mr. JACOBS: He did not even have that.

By Mr. White:

Q. When did you first see Mr. Sweezey?—A. I think it was some time in August.

Q. Not before August?—A. No.

Q. Of 1929?—A. Yes.

By Mr. Jacobs:

Q. And you never used any efforts towards getting this contract for Sweezey from the Hydro either directly or indirectly?—A. No.

Mr. JACOBS: That is all I desire to ask.

Mr. HUYCKE: May I ask the witness a few questions, Mr. Chairman?

The CHAIRMAN: Yes.

By Mr. Huycke:

Q. What was your bargain with Mr. Sweezey?—A. That I should get \$125,000 if he got the contract from the Hydro Electric Power Commission, and that I was available for any assistance he wanted over that period of time.

By Mr. Jacobs:

Q. Over that period of what time?—A. From August until he got the contract.

Q. You were administering assistance to him as he required it over that period. Did your contract go beyond that or did it finish in December?—A. I should figure it would be finished in December.

By Mr. Huycke:

Q. Finished when you got the contract?—A. I did not get the contract; Sweezey got it.

Q. Were you called upon by Sweezey under that contract to perform any services?—A. Just the one that I have mentioned to the committee.

Q. And you performed some services?—A. Yes.

By Hon. Mr. Mackenzie:

Q. You performed what services?—A. I gave him advice in regard to what he should do with the power line.

By Mr. Lennox:

Q. You were subject to be called upon at any time during that period?—A. Yes.

Mr. JACOBS: He did nothing and did it well.

By Mr. Huycke:

Q. It has been suggested that you did not give a receipt. Were you ever asked for a receipt?—A. No receipt was asked for; it was quite a jovial affair, as a matter of fact.

Q. Was it at your request that you took the bonds?—A. No, it was mutual consent; I do not think there was much argument at all; the bonds were just as good as cash.

Q. As to the payment of the balance, was it at your request that you got a cheque payable to cash?—A. I got the bonds in the afternoon and got the cheque some time later in the evening; naturally I went up and got it; I do not know whether Griffith gave it to me or who gave it to me, but we did have a little celebration, and I asked Mr. Main to give me a cheque payable to me; I did not want to carry that amount of money with me.

By Mr. Jacobs:

Q. You took Mr. Main's cheque?—A. Payable to John Aird, Jr.

Q. Carrying his cheque instead of carrying cash?—A. It was payable to cash.

By Mr. Huycke:

Q. As to the bonds, what was the first use you made of those bonds?

Mr. LENNOX: We have all that evidence on the record.

The CHAIRMAN: He said the first thing he did was to buy a Packard car.

By Mr. Huycke:

Q. Were any of those bonds or the proceeds of those bonds ever ear-marked for anybody but yourself?—A. No.

Q. Let me read to you a portion of Mr. Sweezey's evidence appearing at page 823 of the proceedings:—

I know we made a contribution to someone who represented himself as standing up for an Ontario fund of this kind.

Q. To whom did he make those representations?—A. To me.

Q. To you?—A. Yes, sir.

Q. And what did he say to you in that regard?—A. That he thought that a contribution would be in order to the Ontario Conservative Party because we would probably be having a lot more dealings with the Ontario people, and that gratefulness was always regarded as an important factor in dealing with democratic governments.

Q. Were you the person?—A. Well, if there was another emissary, he should have turned up before I did. If there was another emissary, he should have turned up before I did, or afterwards. I had nothing to do with it.

Q. Were you the emissary?—A. No.

By the Chairman:

Q. Is it true what Sweezey says?—A. No.

By Mr. Huycke:

Q. You never made any such representations?—A. No.

The witness retired.

The CHAIRMAN: Are there any more witnesses, Mr. White?

Mr. WHITE: Is it the desire of the committee to hear Senator Raymond?

Mr. LENNOX: What about the cheques that he was going to bring?

Mr. WHITE: Whose?

The CHAIRMAN: Senator Raymond was going to bring some cheques.

Mr. WHITE: Well, I do not know that he is here.

Mr. LENNOX: What was the result of the interview, if there was one, with Senator Haydon? Did the doctors examine him?

Mr. WHITE: I understand they are going to make a report.

Mr. LENNOX: They have not yet made their report.

Mr. JACOBS: I move the adjournment of the committee until to-morrow morning at eleven o'clock, unless you are ready to go on to-night.

The CHAIRMAN: Yes, I can go on to-night.

Mr. WHITE: I think perhaps it would be better to adjourn until to-morrow morning. Is it the desire of the committee to have Mr. Godin here in connection with the Montreal Trust matter. He is a director of the Beauharnois Company, I understand. I suppose he had a perfect right to buy shares from Senator McDougald if he wanted to.

Mr. LENNOX: I thought you said you wanted him.

Mr. WHITE: That was when I was cross-examining Senator McDougald. One in the heat of combat is carried a little beyond one's self.

Mr. LENNOX: It might throw a little light on that one million dollars.

Hon. Mr. MACKENZIE: Mr. Chairman, if the committee is going further into the question of campaign funds, I have a long list of witnesses I desire to call.

Mr. JACOBS: I move we adjourn until to-morrow morning at eleven o'clock.

Committee adjourned at six o'clock to resume Wednesday, July 22, at 11 a.m.

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SESSION 1931

HOUSE OF COMMONS

SPECIAL COMMITTEE

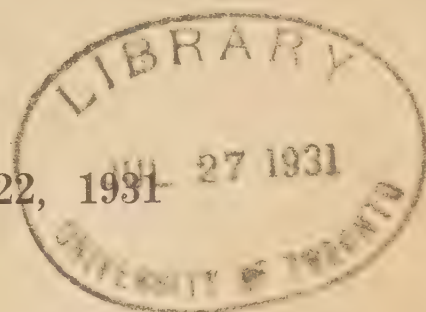
ON

BEAUHARNOIS POWER PROJECT

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 20

WEDNESDAY, JULY 22, 1931



WITNESSES:

Mr. Achille Bergevin, 1801 Dorchester Street West, Montreal, Que.

Mr. R. O. Sweezey, President, Beauharnois Power Corporation, Limited.

Mr. A. F. King, of Messrs. Price, Waterhouse and Co., Chartered Accountants, Toronto, Ont.

Mr. Kenneth McKenzie Cameron, Chief Engineer, Department of Public Works, Ottawa, Ont.

EXHIBITS FILED

No. 121—Blue print of plan of part of St. Lawrence River.

No. 122—Map of Great Lakes and Atlantic Canal and Power Company, Limited. Great Lakes to Ocean Route.

No. 123—Copy of letter, September 2, 1913; from Mr. R. O. Sweezey to Sir W. M. Aitken, London, England.

No. 124—Letter, July 30, 1924, from Canadian British Corporation, Ltd., to Harry Clark, Esq., Montreal.

No. 125—Copy of letter, May 25, 1928, from Mr. Aime Geoffrion to Hon. Senator W. L. McDougald.

No. 126—Beauharnois Power Corporation, Limited. Consolidated Balance Sheet, December 31, 1930.

No. 127—Beauharnois Power Corporation, Limited, and Subsidiary Companies. Analysis of Properties, Rights and Interests Accounts, December 31, 1930.

No. 128—Beauharnois Power Corporation, Limited, and Subsidiary Companies. Consolidated Balance Sheet, May 31, 1931.

Beauharnois Power Corporation, Limited. Balance Sheet, May 31, 1931.

Subsidiary Companies Balance Sheets, May 31, 1931.

No. 129—Beauharnois Power Corporation, Limited, and Subsidiaries. Consolidated Balance Sheet, December 31, 1930.

MINUTES OF PROCEEDINGS

WEDNESDAY, July 22, 1931.

The Special Committee appointed to investigate the Beauharnois Power Project met at 11 a.m. Hon. Mr. Gordon, the Chairman, presided.

Members present: Messrs. Dorion, Fiset (Sir Eugene), Gardiner, Gordon, Jacobs, Jones, Lennox, Mackenzie (*Vancouver Centre*), Stewart (*Lethbridge*).

Mr. Achille Bergevin, 1801 Dorchester Street West, Montreal, Que., was called, sworn and examined. He filed,—

Exhibit No. 121—Blue print of plan of part of St. Lawrence River.

Exhibit No. 122—Map of Great Lakes and Atlantic Canal and Power Company, Limited. Great Lakes to Ocean Route.

Exhibit No. 123—Copy of letter, September 2, 1913, from Mr. R. O. Sweezey to Sir W. M. Aitken, London, England.

Exhibit No. 124—Letter, July 30, 1924, from Canadian British Corporation, Ltd., to Harry Clark, Esq., Montreal.

Exhibit No. 125—Copy of letter, May 25, 1928, from Mr. Aime Geoffrion to Hon. Senator W. L. McDougald.

Mr. Bergevin retired.

Mr. R. O. Sweezey, President, Beauharnois Power Corporation, Limited, was recalled and further examined.

Mr. Sweezey retired.

Mr. Alexander F. King of Messrs. Price, Waterhouse and Company, Chartered Accountants, Toronto, Ont., was called, sworn and examined.

Mr. White, K.C., of counsel for the Committee, filed,—

Exhibit No. 126—Beauharnois Power Corporation, Limited. Consolidated Balance Sheet, December 31, 1930.

Exhibit No. 127—Beauharnois Power Corporation, Limited, and Subsidiary Companies. Analysis of Properties, Rights and Interests Accounts, December 31, 1930.

Exhibit No. 128—Beauharnois Power Corporation, Limited, and Subsidiary Companies. Consolidated Balance Sheet, May 31, 1931.

Beauharnois Power Corporation, Limited. Balance Sheet, May 31, 1931. Subsidiary Companies Balance Sheets, May 31, 1931.

Exhibit No. 129—Beauharnois Power Corporation, Limited, and Subsidiaries. Consolidated Balance Sheet, December 31, 1930.

Mr. King retired.

Mr. Kenneth McKenzie Cameron, Chief Engineer, Department of Public Works, Ottawa, Ont., was recalled and further examined.

Mr. Cameron retired.

On motion of Mr. Gardiner,—

Resolved,—That the Auditors employed by the Committee shall be reimbursed as follows: Mr. A. F. King to receive \$35 per day, plus out of pocket expenses; Mr. N. D. Mackay to receive \$25 per day, plus out of pocket expenses. The number of days that Messrs. King and Mackay have been employed shall be certified to by Mr. White, K.C., of counsel for the Committee.

The Committee adjourned to 1.30 p.m., to meet at the call of the Chair.

JOHN T. DUN,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,

WEDNESDAY, July 22, 1931.

The Special Committee appointed to investigate the Beauharnois Power Project met at 11 o'clock, Hon. W. A. Gordon presiding.

Appearances:—

Peter White, K.C., Louis Morin, K.C., B. H. Symmes, for the Committee.
G. H. Montgomery, K.C., L. A. Forsythe, K.C., I. F. Hellmuth, K.C., for the Beauharnois Company.

J. H. L. Starr, K.C., for Senator McDougald.

Hon. Lucien Cannon, K.C., for the Province of Quebec.

Lucien Moraud, K.C., for the Royal Trust Company.

The CHAIRMAN: Very well, Mr. White.

Mr. WHITE: We were to hear Mr. Bergevin this morning, sir.

The CHAIRMAN: All right, call Mr. Bergevin.

ACHILLE BERGEVIN, called and sworn.

Mr. WHITE: Mr. Bergevin, in the Court of Appeal in Ontario when a lawyer comes in and brings a lot of books and papers the judges look down and think the argument is going to be pretty long, and I would like to call your attention to the fact that the committee are only desirous of hearing from you matters which actually pertain to this inquiry, and I am instructed to ask you to confine your remarks in that way. With that in view, what may appear to you to be very important and very pertinent to this inquiry may not be quite so in the opinion of the committee. You can quite appreciate that, Mr. Bergevin. Now, if you will just say what you have to say to the committee.

The WITNESS: I thank you very much for your remarks and suggestions. I have not come here to say anything or to cast any reflections upon anyone. If my name had not been mentioned during the investigation by some of the witnesses that have been called to the witness box I would not have asked to be brought here to-day. But when I saw that my name had been mentioned and that—I do not want to say misrepresentations—but that perhaps some errors had crept in, then I felt that I wanted to come here and express to you exactly what I know personally, and thus make answer to what has been said.

By the Chairman:

Q. What page of the committee's evidence do you refer to?—A. I refer to the proceedings of July 16, 1931.

Q. What page?—A. Page 763. And I would beg to draw your attention—

Q. Wait till I get the page. That is about a letter?—A. Page 763. My name was mentioned first by the honourable President of this committee:—

One day Mr. Cantin who was the chief factotom of the transportation and power company, came in to see me—was introduced by another man, Mr. Bergevin.

That is quoted from the beginning of your question, Mr. Chairman.

The CHAIRMAN: Not my question; Mr. White's question.

The WITNESS: Those are the lines where my name is brought in.

By the Chairman:

Q. It has something to do with a letter?—A. It has something to do with a letter, yes. I thought I had better bring in the letter itself, which I extracted from the records of the court where it should never have been. However, I have brought it and I had to give a receipt for it on Saturday last.

Q. All right, let us have the letter?—A. This is the letter. It reads as follows:—

Regarding our conversation in connection with the St. Lawrence power situation, I am inclined to go into this matter more extensively.

By Mr. White:

Q. Who is it addressed to and what is the date of it?—A. It is dated 19th March, 1925, addressed to myself:—

Regarding our conversation in connection with the St. Lawrence Power situation, I am inclined to go into this matter more extensively. For this purpose I would ask you to kindly supply me with all the documents you may have bearing on the subject, particularly Engineers' Reports, or any shedding light on the legal situation.

I would appreciate having these in my possession not later than Monday, the 23rd of March. If there are any other documents which any of the members or those interested might have bearing further on the subject, I would also appreciate having copies of these.

Acting in this connection it is my object to proceed as a principal, in order to tie up such rights as are essential to the development.

By the Chairman:

Q. Who signed that?—A. R. O. Sweezey. Previous to that I had received another letter, the previous year, 1924, from Mr. Sweezey, saying generally that he was deeply interested asking me to come back and state that problem because he had been brought up to the proposition in 1913 through Sir Max Aitken and, I may say, he may not have been an intimate friend of mine but Sir Max Aitken was a gentleman that I knew intimately well enough to say "How do you do" in a friendly way, a man who has achieved lots of success for the country. I met him at the racetrack—

The CHAIRMAN: We are not concerned with where you met him, Mr. Bergevin.

Hon. Mr. MACKENZIE: We will not hold that against you.

The WITNESS: No. He told me that he was deeply interested and asked me if I would consult him in connection with the water powers and I said yes. He said "I am deeply interested in that project". I said "I am at your disposal". So the next day he gave me a letter of introduction to Mr. Sweezey who was then engineer-in-chief of the Montreal Engineering Company, which engineering company was owned by the Royal Securities Corporation, which was controlled by Sir Max Aitken himself.

I think it is interesting to have some details, because they might give to the members of the committee some appreciation of the man and the work. I would like to quote you the opinion of such a man as Sir Max Aitken. In 1924 I drew the attention of Sir Max Aitken myself to these facts. I will not

trouble reading you the letter which I received from him. I have it here. It was a letter which I sent to him, and I received back from him a letter of congratulations. It is dated August 21st, 1924:—

DEAR MR. BERGEVIN,—I must tell you how greatly I appreciated your exceedingly kind greetings and felicitations. It has indeed been a very real pleasure to me to find myself once more on Canadian soil. I read with interest your speech on the St. Lawrence water project. Undoubtedly such a waterway, navigable from the Great Lakes to the Atlantic and with power fully developed, would be a source of immense benefit to Canada; and it is to be hoped that a few years hence will see the realization of this great scheme, for the furtherance of which you have done so much. With kindest regards, I remain,

Sincerely yours,

(Signed) BEAVERBROOK.

That shows you the appreciation of men of such high character.

By the Chairman:

Q. Appreciation of your efforts?—A. Yes.

Q. All right. I think everybody will take that for granted, Mr. Bergevin?
—A. Yes. Well, I have made a record so as to avoid the reading of reports, documents and speeches. I had occasion to make a speech before the International Joint Commission, and that is the first time this project was recommended.

The CHAIRMAN: I think every member of the committee is aware of your address at that time. You do not need to read that, Mr. Bergevin.

The WITNESS: The Commission reported according to the views that I expressed before the Commission and the plans recommended, of course, the project, for navigation purposes, etc., through that section which is now being developed by the Beauharnois Light, Heat & Power Company. And it is very interesting to know that that is good for both navigation and water power.

By the Chairman:

Q. We have cleared up the letter have we, Mr. Bergevin?—A. Yes.

Q. Where are you mentioned again, or are you mentioned again?—A. Now, Mr. Cantin said that this letter had been given, if I remember right—I think his declaration is here. I do not want to contradict too much, but he said that he had got a contract with the Robert family on which was paid \$2,000 then \$3,000 and \$5,000 in shares of the company. I do not want to bring lawsuits here because I am not here to collect money. The courts will have to settle those things. But many engineers have expressed their views on the situation and the status of that company in reference to technical questions, and that being so I think it may be interesting to know, not only from the technical standpoint but also from the economical standpoint, all about this question, a question which affects the Dominion as a whole. There is an achievement to be realized by this country, and we ought to be posted properly.

Q. You are a witness there?—A. Yes, I am a witness, and Mr. Cantin said that this was brought up to have Mr. Swezey give him the information. I may say that they had all the reports, and if Mr. Cantin had some reports on that question they were given to him by me.

Q. It is understood?—A. These are corrections to be made because it reflects on the status of men and the position they occupy in reference to questions such as this. It is very very important that a man should have the moral benefit of his work, and so it is that I should have the moral benefit of the

work that I have accomplished, for the work which I have done in the past 34 years, and I claim that this is something which should be brought to the attention of the public. There are things that are done sometimes which are a mistake.

By Mr. Jacobs:

Q. You are familiar with Beauharnois; you were brought up on the St. Louis Feeder too?—A. Oh, yes. I know the situation very well. I can show you on the map that I know every inch of that territory. I was a member in the Lower House of the Province of Quebec during three Parliaments, and I sat for five years in the Upper House. Unfortunately I resigned, in error, to save my party but unfortunately they have not saved me. I was not guilty of anything—

By the Chairman:

Q. That does not arise here, does it?—A. No, maybe it does not. But it is interesting because it was brought up on that account. You see there are errors made, but we must give the credit to those who have accomplished something for their achievements in the solution of that problem. I must give the credit to Mr. Sweezey because he is a genius in engineering, and so is Mr. Henry.

Q. Mr. Bergevin, would it help you, or would you be satisfied if the committee now passed a resolution giving you credit for 34 years' work?—A. I thank you. But I want to say that I desire to have some moral benefit. I do not need the money. I have put up my money. I do not say the other people have not done something for the little Feeder on the St. Louis river, but I am the man that put up the money. Perhaps it was only \$2,000 or \$3,000 a year. I have been doing that for the last 30 years at least, and that money was put up out of my own pocket for the benefit of the country, for the benefit of Canada. I was the representative down there for many years. I simply want to let you know what I have done. I have a letter which I received from the Right Honourable Mr. Bennett, the Prime Minister of Canada. I have the speech delivered before the House, which was printed, of the Honourable Mr. Sauvé, saying what has been done, because he recognized the service I was rendering to my province and to my country. That was the only speech that was ever ordered to be printed by the House. I sent a copy of that speech to the Honourable Mr. Bennett, and although I do not belong to the Conservative Party I am loyal enough and independent enough to tell the truth. I received a very fine letter in reply from the Honourable the Prime Minister just before his departure to Washington where he was going to discuss the matter.

Q. This matter to which you are presently making reference, Mr. Bergevin, is well-known to the committee. The committee knows of these things. It has read volumes that you have written and your addresses?—A. Thank you.

Q. So I think surely we can shorten up your evidence?—A. Will you allow me to deposit in your hands also a copy of the letter that I wrote to Mr. Sweezey on the 21st of March, 1925.

By Mr. White:

Q. What year?—A. 1925.

The CHAIRMAN: Perhaps you will let me read it, Mr. Bergevin.

The WITNESS: Certainly.

The CHAIRMAN: This is a copy of a letter dated March 21st, 1925.

Mr. R. O. SWEEZEY,
St. James Street, City.

DEAR MR. SWEEZEY,—I beg to send you herewith copy of reports on water power developments.

Your report of November 2nd, 1913; Surveyor and Frigon, March 11th, 1916; William Barclay Parsons, May 7th, 1923; J. B. Challies, July 11th, 1912.

You will also find herewith, plans of the Beauharnois Light, Heat & Power Co., between Lake St. Francis and Lake St. Louis, and remedial works on the St. Lawrence from Lake St. Francis to Lake St. Louis; report of lecture, before the Chamber of Commerce of Montreal, by myself, and resolutions adopted by the different municipalities on the questions of Navigation and Water Power developments.

Please accept my best regards.

(Signed) ACHILLE BERGEVIN.

Now then, what is the next, Mr. Bergevin?

The WITNESS: I am here a French Canadian. I am proud of my work I am proud of my nationality and I am proud of my flag. I believe in freedom and the liberty of man. All true citizens should appreciate the real value of their country. I am faithful to my flag and to my country, and there is no man—not even a party man—who can stop me trying to get the benefit of my achievements, achievements that are mine. The people of the country want the benefit of those achievements. I have here the Power Age, issue of February, 1930.

I want to express to you, Mr. President, that I am proud of the work I have achieved, and what is contained here is practically an insult to my race. I am the pioneer in connection with this power question. It is not the Beauharnois Light, Heat & Power Co., nor the Robert family, which I respect very much indeed, but it is your humble servant that started this years and years ago, five years before the incorporation of the Beauharnois Light, Heat & Power Co. It is a question of merit, and a question of trying to keep within the works that I have achieved. I want the benefit of my work to go out, for the benefit of the country at large. I do not care about money. Nobody put up any money but myself for those achievements, and I have done it for thirty years. It may be only a small amount, \$2,000 or \$3,000 a year.

I have here the Statute of 1911.

The CHAIRMAN: We are acquainted with that.

The WITNESS: I own the Charter exclusively. I have here the Statute book of 1898. I am the man who suggested the furtherance of the Montreal and Southern Counties Railway which had the right to develop those water powers. That is four years before the Beauharnois Light, Heat & Power Company came on the scene. To prove it to you—

The CHAIRMAN: The committee are acquainted with that Statute also.

The WITNESS: That is all right. They had those rights but they were cancelled in 1915. I think Mr. Montgomery can confirm that. Through the cancelling of those rights the country lost millions of dollars which it would have had through that proposition. It is very interesting to the government to know that.

The CHAIRMAN: We are acquainted with that.

The WITNESS: I want to draw your attention to those facts. May I ask the liberty also to put before you, Mr. Chairman, and the committee, the first plans that were prepared from 1882 to 1900 or 1901.

By the Chairman:

Q. Who prepared the plans?—A. Mr. John Sullivan, Engineer and Land Surveyor, the very man who was recommended by your humble servant to be the Land Surveyor to draft the boundary lines between Ontario and Quebec above the Temiskaming to James Bay.

Q. Commonly known as the Sullivan line?—A. Yes.

By the Chairman:

Q. Would you like to file those plans as an exhibit?—A. Yes.

Q. If you file them as an exhibit they will probably have to remain here?—A. Yes.

Q. Then they will be filed as an exhibit?—A. Thank you, it is very important.

EXHIBIT No. 120

Blue print of plan of that part of Lake St. Francis situate in the Province of Quebec and also of that part of the River St. Lawrence between Lake St. Francis and Lake St. Louis. Signed by T. H. Sullivan, D. P. L.S. in 1882.

The WITNESS : They were divided into sections; it is from the west boundary of the Province of Quebec practically to Montreal.

By the Chairman:

Q. We will examine them?—A. Thank you. I think I should say something about the coming of Mr. Sweezy and the Hon. Dr. McDougald into the matter. I may tell you that at the end of June, 1924, as Senator McDougald said yesterday, the late Mr. D'Aoust was a member of the Montreal Harbour Commission and a colleague of Senator McDougald, Mr. Harvie, and another gentleman whose name I do not at the present time recall.

Q. Never mind his name?—A. Senator McDougald has been appointed—he was not a Senator at that time—in the month of May, 1924, as a member of the Commission of the Harbour of Montreal, and was deeply interested in the navigation of the St. Lawrence River. I thought of going to see Senator McDougald and draw his attention to the matter as President of the Harbour Commission of Montreal. I thought of going to see him because two of the nominations that were made were representatives of the Province of Quebec, one being a director of the Shawinigan Power Company and another being a director of the Quebec Light, Heat and Power Company, and I thought they might feel inclined to make a report that might be against the south shore for which I was fighting. I prepared some resolutions and I went up to see the Hon. Dr. McDougald to draw his attention to them, and I met the three members of the Commission, and he invited me to come to the President's office after the meeting.

Q. In what year?—A. June, 1924.

Q. Did he tell you he had incorporated the Sterling Industrial Corporation?—A. It was not incorporated then; it was incorporated a few days afterwards.

Q. He did not speak to you about it?—A. No. I went there because he was a member of the Harbour Commission and the International Joint Commission, and I wanted to impress upon him and to convince him, because he was the only man who would be sure to make a report that would be in accord with the views I had been fostering for twenty-five years at that time. I said to myself that I had to have the backing of that man, and I had his backing, and I think he should have the credit for putting the canal on the right spot, on the south shore. I gave the Prime Minister of Canada in 1927 a letter explaining that the report was made exactly as I had predicted it. This is interesting to know.

Q. That letter will be in the reports now?—A. It is in the reports, but in the wrong reports.

Q. As long as it is in the reports it is available?—A. I have them here if you want them.

Q. No. We have them?—A. All right. Now, I think I have answered the first point. I have also the correspondence exchanged showing the good-will of both the Hon. Premier of Ontario, Mr. Ferguson, and of the Premier of the Province of Quebec, and I have official letters recommending me to go and see certain persons—

Hon. LUCIEN CANNON: I fully appreciate the importance of the evidence of this witness and the great interest that attaches to it, but I would ask you, Mr. Chairman, to direct him to restrict his evidence to matters pertaining to the Dominion of Canada and to leave out anything in connection with the Province of Quebec.

The WITNESS: I may assure you that it would prove a pleasure to you to hear what was said about your humble servant and the good work he has done and is still doing in the letter of recommendation to the Hon. Premier of Ontario.

By Hon. Mr. Cannon:

Q. I have no doubt that that is so?—A. I want to show the good-will and honesty and sincerity of those men. I did not see the Premier of Quebec. I wanted, incidentally, to bring Mr. Sweezey into that proposition—

By the Chairman:

Q. Now, Mr. Bergevin, I am afraid you are going too far afield?—A. This is not very long, if you want to hear it.

Q. What is it?—A. It is a letter from the Hon. Mr. Taschereau to Mr. Magrath, and also a letter from Mr. Taschereau to the Hon. Premier of Ontario.

Q. Will you let me see them? They may not have any bearing at all?—A. They have some bearing with Mr. Sweezey because he saw the reply by Mr. Ferguson inviting me to go and see him.

Q. These are letters of introduction from Mr. Taschereau to Charles A. Magrath and the Hon. Mr. Ferguson. I do not think you need put those on the record?—A. All right. This concerns Mr. Sweezey. Mr. Sweezey knew Mr. Ferguson and Mr. Magrath. I drew his attention to the matter and he went up to Toronto with the backing of the Premier of Quebec to make certain contracts.

Q. That is not interesting to this committee?—A. I do not want to put them on record.

Q. You want to keep those as a keep-sake?—A. One thing I forgot is in connection with these plans which I have here.

Q. Let me see those plans?—A. They are plans of the Great Lakes at that time.

Q. We have seen those plans. Somebody has already filed them. However, in place this plan has not been filed I presume you have another copy for your own use if we put this one in?—A. Yes.

Q. Then we will file this plan.

EXHIBIT No. 121

Printed plan of The Great Lakes and Atlantic Canal and Power Company, Limited, showing Great Lakes to ocean route, published by the Matthews-Northrup Works, Buffalo, N.Y., copyrighted in Canada in 1919.

Q. Anything else?—A. Then I have here a booklet giving a historical sketch of the proposed Great Lakes to Ocean Route.

Q. Would you like to file that?—A. Yes.

EXHIBIT No. 122

Historical sketch of the proposed Great Lakes to Ocean Route, by The Great Lakes and Atlantic Canal and Power Company, Limited.

Q. Anything more?—A. I think sincerely that Mr. Cantin has done some good work in the matter of advertising.

Q. We are not concerned with that?—A. Then I desire to read a letter written by Mr. Sweezey to Sir W. M. Aitkin, 28 Threadneedle street, London, England.

Q. What are you about to read from?—A. I want to read the first paragraph of this letter by Mr. Sweezey to Sir W. M. Aitken:—

DEAR SIR,—You may recall that on your last visit to Canada Mr. Achille Bergevin wished to have an appointment with you to submit a water power proposition. You referred him to me and I therefore looked into this proposition.

Q. Would you like to file that letter?—A. Sure.

EXHIBIT No. 123

Letter dated September 2, 1913, from R. O. Sweezey to Sir W. M. Aitken, London, England.

The WITNESS: I just want you to appreciate the history of the project and the efforts of the men who were trying to realize the project in all sincerity for the benefit of this country.

By the Chairman:

Q. Anything further?—A. I have here a letter from the Beauharnois Light, Heat and Power Company in 1913 and also the order in council passed in 1909, which they got through me. You have the proof of it in the signatures of Robert and myself. Give the devil his due. You should understand the real history of this affair. It took three years to get that settlement of 40,000 feet per second, three years of effort by sacrificing my own personal interest. I sacrificed my public life at that time, and three years after I had resigned my seat in 1914 I was asked to come back as candidate for Beauharnois, and the people were for me, but I withdrew so as not to oppose the brother of Robert of the Montreal Tramways and to ensure his election. Three years after that I came in as a candidate—

By Mr. White:

Q. Why not tell this story to the electors of Beauharnois?—A. They all know about that. They all recognize me, but I want you to recognize me. They all know that from the beginning to the end.

By the Chairman:

Q. I have looked over these letters which you have handed to me, and other members of the committee have seen them and are, I am sure, impressed with your early interest in the matter. Anything further?—A. An interview with the Hon. Dr. McDougald took place at the Harbour Commission.

Q. You told us about that?—A. At that meeting he said: "I know an engineer who is one of the leading engineers in Canada and I will have him go to see you," and the engineer came to see me on the following Sunday at my home, the home you saw the other day when you were down there.

Q. I am afraid it was too hot that day and I was not very observant?—A. If it was so hot I do not blame you for not being observant. Under the circumstances I think you should have gone to the shore and taken a good swim right opposite my property that I built myself at a cost of \$31,000.

By Mr. White:

Q. And the best water in the River St. Lawrence?—A. Yes, because every drop I used to see passing opposite my place, and I know every inch of the country because I was there many years. I was very well satisfied with that interview, and I think Senator McDougald deserves great credit.

By the Chairman:

Q. Did they take you in with them?—A. No. I have here a receipt for 1,500 shares in the Beauharnois Power Company that I sold last year at ten and twelve, 1,500 shares from Mr. Sweezey.

Q. But you did not get them for your nuisance value?—A. No, not for my nuisance value. I got those shares as part payment of the settlements to be made with the Robert family. They were very difficult people to handle, and Mr. Sweezey said: "Bergevin, you can wait and I will have the settlement made—"

Q. What did you get from Mr. Sweezey?—A. 1,500 shares of Beauharnois Power, Class "A".

Q. You have still got them, I suppose?—A. No, I sold them at ten and twelve. I am a poor man, and I want to live honestly.

Q. Did you get any cash besides the shares?—A. Yes, \$3,500 to \$4,000; I had the list, but I cannot produce it. He did that during three years' time so that I would co-operate and do the best I could to give him what help I could.

Q. And you did that?—A. Yes.

Q. That is the end of that. What next do you want to take up? We desire to give you a full hearing?—A. Mr. Henry had lunch at my place on the Sunday—

Q. That is not interesting to the committee?—A. It is very interesting, because these men have been attacked and they must be given credit for their work and their connections, and how they made them. These are important details to know, and the morality and mentality of the men should be observed by the people of this country. It is from the mentality and the connections of such men that you can judge of their work and what they have done for the benefit of this country.

Q. Apparently you have cleaned up a lot of nuisances?—A. That may be, but there are some other nuisances in the way.— I want to foster some other developments that are now being put up to the Provincial and Federal Governments relative to the matter of navigation at Montreal, and there will be a treaty between the United States and Canada—

Q. We are not charged with the responsibility of settling that matter here?—A. That is all right. Maybe it will be the responsibility of others in the future.

Q. Have you anything further to say, or are you through?—A. I introduced Mr. Henry to the Robert family in the afternoon, and we spent a couple of hours together with the Roberts. Maybe you know Joseph A. Robert who is a highly educated engineer in the Geological Department. We discussed that matter then.

Q. Is there anything further?—A. I want to draw your attention to the fact that I am interested in the district for the benefit of the country.

Q. We admit that?—A. In this charter—

Q. We know all about that charter?—A. I do not want to go any further. I think I have given you my opinion. If you want to go into the back history

in 1911 and 1912 when the Minister of the Interior took a great deal of interest in the matter, I may tell you that Mr. Henry jointly with me prepared a resolution which was translated into English and I have a copy of it here if you want to see it. It is at your disposal. I am telling you the facts as they are. Besides that there were some representations made to the Federal Government at that time through the Minister of the Interior, or through a friend of his, Dr. M. J. English, ex-President of the Manitoba Conservative Association, and he came to my home and this project was presented to Robert Rogers, where they had some interesting affairs for election funds.

I thank you very much for your courtesy and patience. You have had to hear some of the history, and if you want to know something of the history before the Roberts or the Beauharnois or before Mr. Sweezey was in—I have been promoting this thing to the best advantage, and I have only 10 per cent of the money I have invested personally. I do not want you to collect for me. I can afford to lose it if you have not the time to hear a man who has put up his own money for the benefit of the country and the province which I have had the honour to represent for pretty near twenty years in the House of Commons. Gentlemen, I thank you for your patience. I know it is awkward to listen to this. I have proved, and I want it recognized as a French Canadian, as being the eye-opener of this whole question, although there may be some other people—they are not the eye-opener of the question—I am the only one in the Province of Quebec.

Mr. WHITE: When Mr. Cantin was giving his evidence, at page 767, a letter was spoken of, and there was some suggestion made that he should have had it here. His son, Mr. John Cantin, handed me the letter this morning, and asked that it be filed.

The CHAIRMAN: Let me see it. Is it useful?

Mr. WHITE: Mr. Cantin says here, at the bottom of the page, "in the meantime, we had the Canadian-British Corporation trying to deal with us, and we received a letter from Mr. Watt, Toronto Office, advising us that application had been made to Parliament by other influential people, and I think this letter should be on file. It is worth while reading." I asked him whether it was a long letter and he answered, "no, a short letter." And then it followed that he did not have it at hand. It is simply a letter showing that there were some negotiations with the Canadian-British Corporation, which appears to have been a financial organization.

The CHAIRMAN: It might have some bearing on the question. We will file it.

Mr. WHITE: Mr. Griffith, have you that copy of the letter of the 24th of May, 1928, from Mr. Geoffrion's firm to Senator McDougald?

Mr. BERGEVIN: May I be allowed to give you some information which I have found.

The CHAIRMAN: Give it to Mr. White after the adjournment.

Mr. BERGEVIN: Yes.

Mr. WHITE: Mr. Griffith, Mr. Chairman, produced a copy of a letter, I understand, from the file of Messrs. Geoffrion and Prud'homme dated May 25th, 1928. The reference in evidence was to a letter of May 24th. I assume that the entry was made on the 24th. Sometimes lawyers' letters are not sent out on the day they are dictated. This is May 25th, 1928—a copy of a letter from Mr. Geoffrion to Senator McDougald, and it reads as follows:—

MAY 25, 1928.

The Honourable Senator W. McDougald,
Room 405, 145 St. James Street,
Montreal.

MY DEAR DOCTOR:—

Re Beauharnois

Our application, on its face, is the ordinary application by a grantee from a province of water rights in a navigable river, to the Dominion Executive for approval of the plans under the Navigable Waters Act. These come up every day and are dealt with by the Public Works Department every day.

It is suggested that this should have a special treatment and be delayed until the Senate is more fully informed and can advise the Government on the navigation canal project from the Great Lakes to the sea, or until the jurisdiction question as between the Dominion and the Province now pending before the courts is decided.

Our plan can be carried on as proposed, subject to such additional remedial works, if any, that the Public Works engineers may think required, whether there is now, or later, or never, such a navigation canal.

Therefore, there is no reason for delay until a decision is arrived at by the Government, the Commons or the Senate, on that canal question.

It seems unreasonable to delay a development that the Province of Quebec emphatically wants, as the action of the Quebec Legislature and the Quebec Government shows; that will give a large amount of power to Montreal and Ontario; that will fit in with the recommendation of the Government's Advisory Board, should canalization be decided on, by developing in advance the Quebec end, merely because on the bigger question, no decision has been arrived at, when this development may be carried on without interfering with the freedom of the Government to decide later on the bigger project.

This is obviously but a pretext put forward by the Montreal Light, Heat and Power Company and the Shawinigan crowd to perpetuate their monopoly, and it seems that should the Senate Committee report that everything should be suspended, the leader of the Senate should say, or the Senate be told otherwise; that the Government cannot agree to delay desirable power developments that do not interfere with its freedom of action in respect of navigation canalization.

The only suggestion that can be made against that is that the approval of the Beauharnois plans involves an adoption, should there be canalization of the southern route in preference to the northern one, between Lake St. Francis and Lake St. Louis.

The answers are: First, the choice can be made now and be made easily, because the case in favour of the southern route is clear and the Government can, without deciding that the canal will be built, or when it will be built, or how it will be built, altogether say that, if built, it will be built south. This would be preferable to retarding a development of that importance.

Further, it is not even correct that the approval of these plans commits the Government to the southern route. The Government is no more committed to the southern route by this development on the southern side than it is committed to the northern route by the existing developments on the northern side.

Of course, if the Government, in view of the possibility of its deciding later to build a navigation canal takes from us, as it has been suggested when approving our plans, an undertaking that, should the Government decide on canalization on the southern side, we will supply the canal and the locks free of charge, then this would give the Government a financial interest in choosing the southern route, should canalization be decided on, but that is all.

It seems therefore that any recommendation of the sort or other suggestion that nothing at all be done on the St. Lawrence until the canalization scheme is decided on should not be entertained. It would delay indefinitely all power projects on the St. Lawrence. It would delay a project which is wanted by Quebec and needed in the interest of this part of the country, and there is no reason for such delay. The proper attitude is to grant the approval of the plans provided present navigation is taken care of and to take an undertaking from the grantee that, should canalization be decided on on the southern shore, the grantee will do this part of the work.

The other question is that of the reference to the courts.

Let me first say that any experience before the Privy Council in matters of this sort, an experience that can be easily checked by any study of the law reports, will show that a definite settlement of these questions is very far away. The final judgment of the Privy Council on this reference cannot very well be delivered until at least one year from now. It is practically sure that the Privy Council will refuse to answer many of the questions as being too general. It has done so before. It will guard itself very cautiously, because it never does commit itself.

We have been litigating since thirty years nearly on a much simpler question: the question of succession duties as between various provinces and we have had six or seven judgments of the Privy Council. The question is not yet elucidated.

The question respecting companies as between the Dominion and the Provinces began over twelve years ago and there is this year a case from Manitoba where the question is still being disputed.

It will be a very long time before the whole thing is satisfactorily settled and it will be at least a year before even the first Privy Council judgment is obtained.

Is all development in every navigable river to be arrested during that time?

It seems to me that the proper solution, as a general question of policy, is for this Government to let the Provincial developments go as heretofore, except when they are in conflict with any navigation plan of the Government. The Government has always in that case refused to approve the proposed plans, but if the proposed plan that the province has approved of is not in conflict with any navigation plan of the Dominion, or can be reconciled with it, then it seems the proposed development should be approved of. If the Dominion wins to any extent whatever, later on it is clear that the matter will have to be adjusted; thus, to take an extreme case: If it was held that both as to jurisdiction and as to revenue, this Beauharnois development is exclusively federal, the jurisdiction of the province over it for the future would end and the Dominion, for the future, would have exclusive jurisdiction, the rentals stipulated payable to the province would stop and the rentals in the future would be payable to the Dominion, according to that very simple principle that if I buy or lease a piece of property from

Peter and it is later decided that the property belongs to Paul, I don't need to go on paying Peter and if I want to keep the property, I must deal with Paul.

There is nothing to be feared from the suggestion that by approving the plans, the Dominion Government acquiesces. The Dominion Government cannot lose any of its jurisdiction by acquiescing. Certain duties have been imposed on it by the Imperial Parliament, by Imperial Statute, and it cannot make away with them in favour of provinces.

The Dominion Government might very well insert reserves when approving the plans as to any rights that judgments on these references might recognize as being held by it.

Yours truly,

P.S.—I am convinced that all this newspaper agitation and investigation are engineered by the Montreal interests above mentioned and that will stop the moment it does not serve their purpose any more, and it will not serve their purpose any more the moment the Government has ignored it and approved our plans.

(Signed) A. G.

(Copy of letter dated March 5th, 1928, addressed to Hon. Senator W. L. McDougald filed, marked Exhibit 125.)

ROBERT O. SWEEZEY, recalled.

By Mr. White:

Q. What would you say, Mr. Sweezy, as to whether the Board of Directors of the Beauharnois Power Corporation Limited, the Beauharnois Light, Heat & Power Company Limited, or any of the subsidiaries involved, have expressed approval, either formally or otherwise, of the expenditure of any of the company's funds in campaign funds?—A. Well, informally, I would say there was a tacit approval.

Q. Any record of it that you know?—A. As for campaign funds, no; not in that direct form.

Q. Not in that direct form.

By the Chairman:

Q. You say tacitly and informally. Did the directors talk it over among themselves?—A. As a directors meeting, no sir.

Q. At any kind of a meeting?—A. No. Not in any meeting.

Q. You say that someone might have paid these moneys out without the approval of the director—that is the thought I had in mind?—A. No. There was certainly no formal meeting of directors to approve anything about campaign funds.

Q. Was there an informal meeting of the directors?—A. No, sir.

Q. Was there any meeting of the directors that approved the payment out of this fund?—A. No.

Q. Then, who authorized the payment?—A. The authorization was one of official operation, and the subsequent approval of the amount.

Q. You are not making it very clear. Who actually authorized that amount of money to be paid in whatever form it was paid?—A. Myself with the treasurer.

Q. And who authorized you and the treasurer to do it?—A. I just assumed that.

Q. Did you never talk it over with the directors?—A. Not with the directors, except that subsequently I pointed out to the directors certain amounts.

Q. Which had been paid?—A. Which had been paid.

Q. Had been so paid?—A. Yes.

Q. And they had an informal meeting to approve of it?—A. To approve of a loan that was made to a company which I had an interest in, and I was responsible for that loan and put up collateral for it.

Q. That was the method employed to get the money over?—A. Yes, but I am still responsible.

Q. I am not concerned with the method you employed to get the money over. You say that you and the treasurer either formally or informally paid over the fund to which I have made reference, in your evidence heretofore?—A. Yes.

Q. Are you sure about that?—A. Oh, I am sure there was never any meeting of directors.

Q. I am not speaking of that. Did you see the directors and discuss it with them individually?—A. One or two of them I saw.

Q. Which ones?—A. Perhaps more—I do not recall whom.

Q. Tax your memory. Which one or two did you see?—A. I really do not recall. I think I talked it over with Mr. Geoffrion. We never came to any decision on it as far as he was concerned.

Q. Who was the one other you remember you talked it over with?—A. I do not recall, really. I think I must have talked it over with one or two of them, but at the moment I positively cannot recall.

By Mr. Jacobs:

Q. Was it not a case of silence gives consent.

The WITNESS: That is largely the point, and difficult to pin it on anybody.

By Mr. Lennox:

Q. But the other directors knew of it, didn't they?—A. I do not think they knew of it in details, and I don't suppose they wanted to know.

By the Chairman:

Q. What was the limit?—A. Well, there was a loan as it stands now, I think \$150,000.

Q. That was the limit?—A. That was the limit of that loan, yes. Well, it went up to \$200,000 but some has been paid back since. I have paid back some of it, and I hope to pay it all back in time.

By Hon. Mr. Mackenzie:

Q. To the company?—A. Yes.

By the Chairman:

Q. So that the transaction was consummated by you and the treasurer without the knowledge of the board of directors?—A. Certainly without the formal knowledge of the board of directors.

Q. Did they have informal knowledge?—A. Informally, one or two might have known, and I am not too positive of that. I think they were very vague on anything of the sort.

Q. Therefore, the Board of Directors did not direct, apparently?—A. Well, in matters of this kind, it was in the early stages of the game, and they didn't have much of a chance to know about these things.

Q. Experience has taught me this, in the early stages of the game, a concern can either be wrecked or made successful. All right, thank you.

By Mr. Gardiner:

Q. Just a moment, Mr. Sweezey. On page 829 of the evidence, you state there that certain invitations were sent out to certain members of parliament to visit your works last fall. That is correct?—A. Yes.

Q. Have any invitations been sent to any members of parliament other than those you have mentioned?—A. Yes. We had invited from time to time groups of people to visit the works; we would like them to know what the physical development was like.

Q. Including members of parliament?—A. Yes.

Q. You have had members of parliament other than those you mentioned?—A. Yes.

Q. To visit your works?—A. Yes.

Q. Can you name any of those members of parliament?—A. Well, I do not recall any of them, because we had one or two groups on two or three occasions who came.

Q. From both sides of parliament?—A. Yes, from both sides. There was no attempt to take from one side or the other; we simply invited promiscuously.

Q. You paid the expenses in this same manner?—A. We certainly entertained them on the spot, and it cost us money after they came, to take them around and show them the thing, as we would with the Board of Trade of Montreal and the Chamber of Commerce, and other bodies who came from time to time to visit the works.

Q. So, in fact, these three members of parliament from western Canada were just the same.—A. Absolutely.

Q.—as others who had visited the works?—A. Absolutely; there was no suggestion of anything else.

By Mr. White:

Q. Is that quite the case. You did pay Mr. Hodson?—A. Well, Mr. Hodson—

Q. You did pay Mr. Hodson \$2,000— —A. But not to do with this thing at all; it was a different mixture of a whole lot of things.

Q. It was through his instrumentality?—A. Yes, but you will believe the \$2,000 is in this way meant for those western members.

Q. I am not doing anything of the kind, and I am not going to have you make that statement, Mr. Sweezey, and if you will listen to what I am going to ask you, I do not think it will be necessary for you to make any such remark. You did pay Mr. Hodson \$2,000?—A. Yes.

Q. And one of his duties, or one of the things which he did in connection with that payment, was to organize this particular visit; is that correct—A. Yes. Might I say he had a number of other items and expenses to make up the \$2,000 that have not anything to do with this.

Q. You have already told us that, and that was the payment?—A. I was afraid it would leave a wrong impression.

Hon. Mr. MACKENZIE: I suppose, even when this committee visited you, it cost you money?—A. I do not know exactly, but I presume it did.

Mr. WHITE: Now, I am informed by one of the counsel, I have forgotten which, that it has been impossible to get in touch with Senator McDougald's secretary, and therefore he cannot be here. We are practically at the end, so far as I am concerned. There are no witnesses that I desire to call, or can suggest calling, and so we are practically at the end of the evidence, and I assume the committee will have to determine whether we will have Senator McDougald's secretary, or let the matter rest as it is.

The CHAIRMAN: Could he give any useful testimony?

Hon. Mr. MACKENZIE: He would just confirm the evidence given yesterday.

The CHAIRMAN: If he will confirm it.

Mr. LENNOX: Where is he?

Mr. WHITE: He is in Montreal, I believe.

Mr. STARR: He is in Montreal, but we could not get in touch with him at all.

The CHAIRMAN: Is Arthur White of Dominion Securities here? (No reply.)

Have you any further evidence to tender to-day?

Mr. MONTGOMERY: I should like to call Mr. Cameron to complete the evidence in which he was interrupted the other day.

The CHAIRMAN: Mr. White, if you have no further evidence for the day, the committee will adjourn, and if it is agreeable, we can assemble at the call of the chair. I think we would all like to have a chance to read the evidence.

Mr. WHITE: I forgot, Mr. Chairman, beside what Mr. Cameron is to put forward, I wanted to submit some figures from the auditor's statement, which had entirely escaped my notice.

Mr. JACOBS: File them.

ALEXANDER F. KING, called and sworn.

Examined by Mr. White:

By Mr. White:

Q. Mr. King, you are an auditor, I understand?—A. Yes, sir.

Q. And engaged with the auditing firm of Price Waterhouse & Company?—

A. Yes, sir.

Q. And as such have been acting on my instructions in this investigation?—

A. Yes, sir.

Q. Were you furnished by Messrs. P. S. Ross & Sons, the auditors for the Beauharnois Power Corporation, with a balance sheet?—A. Yes, sir, several.

Q. A consolidated balance sheet as of the 31st December, 1930?—A. Yes, sir.

Mr. WHITE: Here is the letter of P. S. Ross & Sons transmitting it. It is dated March 7, 1931:

CONSOLIDATED BALANCE SHEET

Auditors' Certificate

The Shareholders,
Beauharnois Power Corporation, Limited,
Montreal.

We have audited the books of account of Beauharnois Power Corporation Limited and its subsidiary Companies:

Beauharnois Light, Heat & Power Company

Beauharnois Construction Company

Beauharnois Transmission Company

Beauharnois Land Company, and

Marquette Construction Corporation

for the eleven months ended December 31, 1930, and have received all the information and explanations we have required.

In our opinion, the attached Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the consolidated financial position of your Company and its subsidiaries at December 31, 1930, according to the information and explanation received by us and as shown by the books of the Companies.

Exhibit No. 126—Consolidated Balance Sheet, Beauharnois Power Corporation.

Mr. WHITE: Now, take that Consolidated balance sheet exhibit No. 126. I will have to later take a non-audited balance sheet and compare the position with this one as of the 31st of May. The committee will appreciate the differences between that sheet, which has not been audited, and this one which is audited, and which will be easily accounted for.

By Mr. White:

Q. This balance sheet shows the total capital of the company to be what?—
A. \$31,800,000.

Q. \$31,800,000 made up of what?—A. Five Management Preferred shares of no par value issued at \$5; 1,799,995 Class A Common shares of no par value issued at \$1,799,995, making \$1,800,000 in respect of the capital stock.

Q. That is in respect to Class A Shares?—A. And the Management Shares.

Q. \$1,800,000?—A. \$1,800,000. Then we have \$30,000,000 Collateral Trust Sinking Fund 6 per cent 30 year Bonds due October 1, 1959.

Q. And those two make up the figure of \$31,800,000?—A. Yes, sir.

Q. Which according to this statement is the capital of the companies as consolidated?—A. Yes.

Q. And that appears on the liability side of this balance sheet?—A. Yes, sir.

Q. Then take the assets side. I see a figure here of \$28,768,816.53, and that is the "Cost to date of Properties, Rights and Power Development in course of Construction." Then to that is added "Construction Commitments not yet delivered per Contra, \$4,117,034.85, against which there is on the liability side a similar amount set up under the caption "Construction Commitments not yet delivered per Contra"?—A. Yes, sir.

Q. So that those two items can be eliminated, one balancing the other?—
A. Absolutely.

Q. So that deducting that item of \$4,000,000 odd we have the statement that the cost at this date of properties, rights and power development in course of construction is \$28,768,816.53?—A. That is right.

Q. And then there are securities on deposit with the two governments?—A. Yes, sir.

Q. And Workmen's Compensation Commission, a set up of \$1,021,385; investments \$200,168. I assume that is the Sterling Investment Corporation?—A. Oh, no.

Q. What is that? Oh, that is the Brupbachu Silk Mills Limited?—A. Yes.

Q. \$200,000 of that amount is in connection with the Brupbachu Silk Company at Valleyfield.

Q. Then you have accounts receivable \$184,730.37; Employees Working Funds \$9,385.08; Accrued Interest Receivable \$27,319.22, a total of \$221,434.67.—A. Yes.

Q. And then you have Cash and Marketable Securities in Escrow \$2,325,546.67 and Cash \$186,130.73?—A. Yes.

Q. A total of \$2,511,677.40. Now, before we go to analyze this item of \$28,000,000 odd, would you tell me something about the items of "Accounts Receivable"?—A. Yes, sir.

Q. \$184,730.37. How is that amount made up?—A. Of that amount \$150,000 represents an advance made to the Marquette Investment Corporation. The balance of it largely represents—

Q. Is that the amount spoken of by Mr. Swezey a moment ago?—A. That is right. And the balance of the amount of \$183,000 mentioned by you—

Q. \$184,000 odd?—A. Yes, \$184,000 odd represents largely a charge made by the company for containers purchased by the Beauharnois Construction

Company, for which charge the company would expect to receive credit when the containers were returned. And there is also included sundry amounts owing by employees to the company for the sale of wood, and expenses and so on.

Q. I see. Then the item of "Cash and Marketable Securities in Escrow \$2,325,546.67", what is that?—A. That represents cash and Victory Bonds held by the Royal Trust Company from the proceeds of the bond issue, to be turned over to the company as required for construction purposes.

Q. You mean of the \$30,000,000?—A. Of the \$30,000,000, yes.

Q. So that on the 31st of December, 1930, of the \$30,000,000 there was then available \$2,325,000 odd?—A. That had not been received.

Q. That had not been paid over to the company or to any of the subsidiaries?—A. Yes, sir.

Q. Then going back to the first item \$28,768,816.53, how is that made up?—A. Do you just require the major items in that, Mr. White?

Q. Yes?—A. Real estate \$5,189,783.82; construction outlay such as canal and accessory works, power-house, bulkhead and sub-structures, tailrace, etc., \$6,193,497.17; equipment and temporary construction work less depreciation thereon \$3,012,337.33; engineering \$1,081,431.50; interest during construction \$1,338,795.43; property rights and interest \$11,357,888.87; and miscellaneous accounts \$559,082.32.

Q. So that there is set up for property rights and interest \$11,357,888.87?—A. Yes, sir.

Q. And have you from the company's auditors an analysis of that account?—A. Yes.

Q. It is transmitted, I see, to the President, Beauharnois Power Corporation Limited, Montreal, on July 7, 1931, with a letter from P. S. Ross & Sons, Chartered Accountants, the letter reading as follows:—

DEAR SIR,—As requested, we have prepared and attach hereto an Analysis of the Properties, Rights and Interests Account which amounts to the sum of \$11,357,888.87, on the records of Beauharnois Power Corporation Limited and its Subsidiary Companies as of December 31, 1930.

We are of the opinion that the items shown in this statement are proper charges to that account, according to the documentary or other evidence, and minutes examined by us.

Now, the totals of that statement, Mr. Chairman, are these: Balance at Debit December 31, 1930, \$11,357,888.87. The first item is:—

Beauharnois Syndicate

Cash payment to W. H. Robert, et al, under terms of agreement entered into by R. O. Swezey and W. H. Robert, et al, under date of February 3, 1927, \$100,000.

Then the next item:—

Beauharnois Power Syndicate

Issue of 10,000 part-interests at \$100 each to the members of Beauharnois Syndicate on April 4, 1928, as part consideration for the taking over of assets and undertaking of Beauharnois Syndicate, \$1,000,000. Net Book Value of Assets acquired \$261,000, \$739,000.

By Mr. White:

Q. Might it be said that that \$739,000 represents the profit that the syndicate made? Would that be a fair way of putting it?—A. I do not think so.

Q. Let me have it from you in accounting terms, please?—A. \$739,000 is the difference between the assets of the Beauharnois Syndicate, namely, \$261,000,

and the par value of the ten thousand part-interests issuable by the Beauharnois Power Syndicate in respect of the acquisition of those assets.

Q. And is that reflected in the consolidated balance sheet, Exhibit No. 126? Is that \$1,000,000 of shares part of the \$1,179,000 Class "A" shares which have been issued?—A. No. The \$1,000,000 represents the par value of the part-interests in the Beauharnois Syndicate.

Q. They are taken over at \$1,000,000 at \$100 a share, and the actual net value of the book assets involved is \$261,000?—A. Yes.

Q. Those assets being transferred to other accounts?—A. Yes.

Q. Which leaves in this account a balance to be charged up to properties, rights and interest, of \$739,000?—A. Yes.

Q. For which the Beauharnois Power Corporation or its subsidiaries received no tangible asset?—A. Right.

Q. Then:—

Payments made to W. H. Robert et al under terms of agreements entered into by R. O. Sweezey and W. H. Robert et al under dates of February 3, 1927, and July 18, 1929, \$1,400,000.

W. H. Robert et al—Charges under terms of agreement entered into by R. O. Sweezey and W. H. Robert et al under date of July 18, 1929, supplementing agreement dated February 3, 1927, \$40,000.

So that the total received by the Roberts was \$1,540,000?—A. Plus 21,000 shares of stock, subsequently.

Q. Then the next item reads:—

Issue to J. P. Ebbs of 2,000 part interests (fully paid) of Beauharnois Power Syndicate in connection with the acquisition of all the Capital Stock of Sterling Industrial Corporation, \$200,000?

—A. Yes.

Q. Put down that item of \$739,000 and then take the \$200,000?—A. Yes.

Q. Then:—

Transfer from Preliminary Expenditure Account of the amount paid by Beauharnois Syndicate covering legal expenses as mentioned in the agreement entered into by R. O. Sweezey and W. H. Robert et al under date of February 3, 1927, \$5,100.82.

and the total figure shown is \$2,484,100.82?—A. Yes.

Q. The next item is:—

Beauharnois Power Corporation Limited and Subsidiaries

Amount paid to Beauharnois Power Syndicate December 17, 1929, as part consideration for the taking over of Assets and Undertaking of Beauharnois Power Syndicate, \$4,750,000.

Net book value of Assets acquired, \$2,500,000.

the difference being \$2,250,000?—A. Yes.

Q. Please take that figure. That, I take it, would represent, as you stated before, the difference between the book value of the assets and the amount of cash paid to the syndicate—is that it?—A. That is quite correct.

Q. Do not adopt my language unless you are satisfied that I am stating it fairly and correctly.—A. That is quite correct.

Q. The next item is:—

Discount of 10 per cent on issue of \$30,000,000 Beauharnois Power Corporation Limited six per cent Collateral Trust Sinking Fund Bonds due October 1, 1959, underwritten by Bankers at 90, \$3,000,000.

Take that figure, please. Then:—

Issue of 770,000 Shares Beauharnois Power Corporation Limited Class "A" Common Stock to Underwriters of \$30,000,000 Beauharnois

Power Corporation Limited six per cent Collateral Trust Sinking Fund Bonds due October 1, 1959, on which a book value of \$1 per share was placed, \$770,000.

Take that figure, please. Then:—

Issue of 21,000 Shares Beauharnois Power Corporation Limited Class "A" Common stock to W. H. Robert et al under terms of agreements dated February 3, 1927, and July 18, 1929, on which a book value of \$1 per share was placed, \$21,000.

Amount of cash paid to Montreal Cottons Limited under terms of agreement dated July 18, 1929, \$1,975,000.

Amount of preliminary expenditure made by Beauharnois Syndicate and Beauharnois Power Syndicate covering test-pits, equipment, legal fees, etc., \$637,788.05.

Put that figure down in a separate place, please: Then:—

Amount of cash paid to McDonald and Robb Limited under terms of agreement dated February 5, 1930, also letters to above party dated October 25 and 28, 1929, and February 5, 1930, \$100,000.

What was that \$100,000 paid for?—A. I must take time to look that up, Mr. White.

Q. Then:—

Purchase by Beauharnois Construction Company of 8,000 shares of the Capital Stock of Marquette Construction Corporation at \$20 per share as authorized by directors January 6, 1930, \$160,000; less: Issue price by Marquette Construction Corporations, \$40,000. Total, \$120,000.

Please put that down to Mr. Aird's account.

Mr. FORSYTHE: In a separate place?

Mr. WHITE: No; I am not satisfied that there is any value in it.

Q. Now, as to the items that I have asked you to take into account, what is the total?—A. \$7,079,000.

Q. And the total capital being as you told us before?—A. \$31,800,000.

Q. And these items amount roughly to about a quarter of the total capital?—A. A little less than 25 per cent.

Q. A little less than 25 per cent of the total capital as of December 31, 1930?—A. Yes.

Mr. WHITE: This analysis of the properties, rights and interests account will be Exhibit No. 127.

EXHIBIT No. 127

Beauharnois Power Corporation Limited and subsidiary companies:

Analysis of properties, rights and interests account, dated December 31, 1930, by P. S. Ross & Sons, Chartered Accountants.

Q. You have also furnished me with a copy of the Consolidated Balance Sheet of these companies as of May 31, 1931?—A. Yes.

Q. Which was not audited?—A. No, sir.

Q. Take that document and point out to the committee any major differences in the amounts of the various accounts as compared with the audited balance sheet, Exhibit No. 126?—A. The most important changes in the balance sheets are represented by an increase in the property accounts of \$5,781,185.74. The source of the funds used by the company for those additional property expenditures is covered by bank loan as of May 31, 1931, of \$3,500,000 and funds received from the Royal Trust Company amounting to \$1,430,396.67. There are a few other smaller changes.

Q. The item of \$2,511,677.40 has been changed, of course?—A. Yes, I mentioned that.

Q. You mentioned that?—A. Yes.

Q. What is the balance in that account now as of 31st May?—A. \$895,150.

Q. Showing that of those securities and cash then held in escrow about \$1,800,000.—A. \$1,430,000.

Q. Had been turned over to the company?—A. Yes.

By the Chairman:

Q. \$1,430,396.67?—A. That is right. That does not quite balance in against the \$5,781,000; the major portion of the difference represents credit received from companies from whom the Beauharnois Companies were purchasing equipment and construction materials.

By Mr. White:

Q. It is not a comparatively large amount?—A. \$881,000 odd, sir.

Q. Then, I understand that you have prepared from information supplied to you by the auditors and other officers of the company what you call a consolidating balance sheet?—A. That was supplied by them.

Q. As of December 31, 1930?—A. Yes.

Q. And there are various items in this sheet which I see you have marked. Do you wish to call them to the attention of the members of the committee? The first item there is \$120,000?—A. That was the item spoken of a while ago, representing the difference between the cost to Beauharnois Construction Company of the capital stock of Marquette Construction Company over the issue price of the stock on that company's books.

Q. Is there anything else?—A. There is nothing here of particular—

Q. The item of \$149,882.06, what is that?—A. On reference to both sides of the balance sheet you will notice that \$149,000 represents depreciation that has been provided by Marquette Construction Company up to December 31, 1930, the entry on the consolidating balance sheet in respect of \$149,000 is reversing the entry against the reserve for depreciation account; that is, washing it out.

Q. I understand so far as the purchase of property of the Beauharnois Company is concerned, that you have not checked back the vouchers to see whether these properties are correctly set up in the books?—A. No, sir.

Q. But you have accepted the statement of the company's auditors?—A. Yes, sir.

Q. That, of course, would be a pretty tedious and long process?—A. It would take a long time.

Q. I understand that you wish to have it understood that your firm is not taking any responsibility for the correctness of that figure?—A. Yes, I would like that understood.

Q. But as to the analysis that you have given here, \$11,000,000 odd, you are satisfied with the correctness of that?—A. Yes, sir.

By Mr. Montgomery:

Q. Mr. King, taking first the figures that you have mentioned, \$11,000,000 odd?—A. Yes, sir.

Q. The first item referred to, \$739,000, you stated that the company received no tangible asset, or rather, you assented to Mr. White's question?—A. Yes, sir.

Q. Are you sure of that?—A. \$739,000?

Q. Yes. As a matter of fact, at that time the charter had been obtained or rather amended, had it not?—A. I don't know, sir.

Q. Let me tell you that that item is dated—the syndicate dissolved April 4, 1928, and we have it in evidence that the company obtained an amendment to its charter in March, 1928, giving it the power to do this particular construction, that is, the canal from Hungry Bay to Melocheville.

Mr. WHITE: Giving it the power to do that? How could it do it?

Mr. MONTGOMERY: Yes, under the charter, 11A.

Q. You know nothing about that?—A. No.

Q. Without information as to the facts are you in a position to state that they did not receive tangible assets for the million?—A. The figure of \$261,000 quoted by me, was taken from the balance sheet furnished to me by your auditors, as of April 4, 1928.

Q. And it represented to you what the first syndicate had acquired, did it not, indicating the first payment to Mr. Robert, and so on?—A. The first payment to Mr. Robert was included in the \$261,000.

Q. I am merely citing that as an item that goes to make up the \$261,000?—A. That is right.

Q. You do not know what work the first syndicate had accomplished before turning over the second syndicate in March?—A. No, sir.

Q. Consequently, you are not in a position to say whether they received any value for the million?—A. No, sir.

The CHAIRMAN: Is anybody in a position to say.

Mr. MONTGOMERY: I think it is an important thing to know. A group who had acquired a charter from Quebec empowering them to carry out this project, and turning it over, was entitled to some value for it. It is a matter of appreciation, of course, as to the amount. I think it would be rather a modest amount.

The CHAIRMAN: Or anybody in his position.

Mr. MONTGOMERY: I think that is a matter of common knowledge, that the group who had acquired a charter from the Quebec Government to carry out this project and turning it over, was entitled to some value for it. This is a matter of appreciation, of course—

The CHAIRMAN: How would you go about fixing the value?

Mr. MONTGOMERY: They would fix it themselves. The project, as it then stood, after they had finished a year and a half's work on the thing on which they had expended, in acquiring actual physical property, \$261,000, they turned the project over, as was, for a million. The value is an arbitrary basis.

The CHAIRMAN: The difference would be \$739,000.

Mr. MONTGOMERY: Yes, precisely; but I do not think you can say from that that they did not receive a tangible asset.

Mr. WHITE: What tangible asset does my learned friend suggest?

Mr. MONTGOMERY: Shares in the Beauharnois Light, Heat & Power Company, the properties which had been purchased including—

Mr. WHITE: That is included in the \$261,000.

Mr. MONTGOMERY: I am talking about the million. They received the project which they had acquired with the rights to develop a small amount of power out of the old feeder canal, and which had then become a project empowering the company to develop this proposition from Hungry Bay to Melocheville, not through the old feeder canal at all. In other words, they had acquired a project which they turned over at large potential values.

The CHAIRMAN: It was a capitalization of the potentialities?

Mr. MONTGOMERY: Call it that if you like. I would not have the impression left in the record that it was turned over for nothing.

Mr. WHITE: I would like to know what tangible asset was turned over.

Mr. MONTGOMERY: I have not suggested the word tangible. The tangible assets that were turned over were the shares of the Beauharnois Light, Heat & Power Company, which was a very different proposition from the shares which were acquired by the first syndicate.

Mr. JACOBS: This is a case where the one loaf and fish were sufficient to produce loaves and fishes for a multitude to eat.

Mr. WHITE: It requires a miracle to do it.

Mr. JACOBS: Yes. We have miracles in these days too.

The CHAIRMAN: You are cashing in on your hopes that you realized.

Mr. MONTGOMERY: It was not cashing in on hopes but something that had been attained.

The CHAIRMAN: You are getting credit for it in the \$261,000.

Mr. MONTGOMERY: No, no credit. The \$261,000 does not absorb any credit between the value of those shares and the shares that the company required to carry out a small project in the feeder canal—shares in a small contract to carry out the Hungry Bay-Melocheville project.

Mr. JACOBS: If you were trying to get anything of that sort in Quebec, would you say what it would cost to get it?

The CHAIRMAN: I am not persuaded that it is so difficult.

Hon. Mr. MACKENZIE: Any large organization must have preliminary assets before they can function.

By Mr. Montgomery:

Q. Now, the same thing would apply to the \$2,250,000, the next large item which you touched, the amount paid to the Beauharnois Syndicate in consideration, taking over the assets and undertaking of the Beauharnois Power Syndicate. You have no information as to the status of what was turned over by the Beauharnois Power Syndicate as compared with what they had acquired from the original Beauharnois Syndicate?—A. No, sir; the figures were taken again from the balance sheets.

By the Chairman:

Q. You say that the figures were again taken from the balance sheets supplied by the Ross Company?—A. Yes, sir.

Mr. MONTGOMERY: Precisely.

By Mr. Montgomery:

Q. And you, perhaps, are not aware that in the interval between the two syndicates they had obtained the approval of the plans at Ottawa, and the project had developed up to the point it reached on December 17, 1929?—A. No, sir; I saw no assets on the books in respect to that.

Q. For instance, you did not see the two large power contracts which have been referred to as having made this development possible, included as an asset on the books?—A. No, sir.

Mr. JACOBS: Is it not taken in?

Mr. MONTGOMERY: No. They are absorbed in that figure of \$2,500,000 which my learned friend, Mr. White, had the witness point at as if it had been pure water.

Mr. WHITE: I have not characterized it as water at all, or in any other way.

Mr. MONTGOMERY: I assumed—

Mr. WHITE: Don't assume.

Mr. MONTGOMERY: Mr. White, I am at liberty to make my own assumption.

Mr. WHITE: Not to make it publicly.

Mr. MONTGOMERY: I will make my assumption publicly as often as I wish.

Mr. WHITE: Not without having them contradicted by me.

The CHAIRMAN: That is the first time I knew there was water used.

Mr. MONTGOMERY: I mentioned the word water because I assumed that that is my learned friend's reason for putting that in. That is my assumption, whether you agree with it or not.

Hon. Mr. MACKENZIE: That is my assumption too.

Mr. WHITE: I would be inclined to think I was right if I did assume that. I carefully refrained from making any characterization at all, leaving it entirely to the committee to draw their own conclusions.

The CHAIRMAN: Taking the figures down and checking them, I was going to ask the witness myself, and I had it in mind to use the word "water" in my question.

Mr. MONTGOMERY: I have anticipated it in my question.

By the Chairman:

Q. The question I was going to ask the witness was: is it fair to assume from the figures supplied to you by the auditors of the company that \$7,079,000 is what is usually characterized by the unthinking masses of the people as water?—A. My answer would be yes.

The CHAIRMAN: I followed the figures carefully.

Mr. MONTGOMERY: You will permit me then to start again upon that question. Perhaps I have no hope of convincing you, Mr. Chairman, but yet I would like—

The CHAIRMAN: You provoked this yourself, Mr. Montgomery, by the suggestion of water.

Mr. MONTGOMERY: But, Mr. Chairman, I think I just have your statement that I merely anticipated the question that you were about to ask.

The CHAIRMAN: I was not going to ask it at all. I was almost on the point of asking it but I did not for fear it might create in the minds of some members of the committee an anxiety that probably should not be created, but you having opened it up, I think I was almost bound to ask the question.

By Mr. Jacobs:

Q. Is there anything in the books at all fixing the value of these?—A. There is nothing in the statements, Mr. Jacobs, that I have been furnished with.

By Mr. Montgomery:

Q. Consequently, the value of those contracts would be absorbed in the \$2,250,000?—A. Yes, sir.

Q. And also the value of the various agreements which had been made with the Dominion government and the Quebec government?—A. Correct.

Q. And are you not in a position to place a value on those?—A. No, sir.

Q. Consequently, are you in a position to say that it is "water"?—A. I cannot say that.

Q. You cannot say that?—A. No.

By the Chairman:

Q. What is your answer?—A. I could not say it is water.

By Mr. Montgomery:

Q. Now, the item "discount on bonds" is not an unfamiliar item in balance sheets?—A. No, sir.

Q. It is quite an ordinary item in the balance sheets of manufacturing and industrial companies, is it not?—A. Yes, sir.

Q. You are not, I hope, treating that as anything improper?—A. No, sir.

Q. Or as being what the Chairman has referred to as water?

The CHAIRMAN: A term approved of by you, Mr. Montgomery, not by me.

The WITNESS: I think the expression "water" usually refers to items of a strictly intangible nature. The \$3,000,000 discount may fall under that classification.

By Mr. Montgomery:

Q. What I am getting at, Mr. King, is this—and perhaps you can help me—you see nothing improper?—A. Absolutely nothing.

Mr. JACOBS: Everything is pure.

The WITNESS: 10 per cent is not unusual.

By Mr. Montgomery:

Q. 10 per cent discount on bonds is not unusual?—A. No, sir.

By the Chairman:

Q. Would it be fair to put it this way, that the discount on the bonds and securities of any venture is governed by the hazard?—A. Yes, sir.

By Mr. Montgomery:

Q. We have it in evidence that these are second charge debentures with the permission to put \$50,000,000 ahead of them.

Mr. JACOBS: I think they got a very high price for their bonds.

Mr. WHITE: It did not please Mr. Jones.

By Mr. Montgomery:

Q. Now, the issue of a stock bonus with a second charge security is not unusual, is it? I should say perhaps particularly with a second charge security?—A. I do not know, sir.

Q. So you are not in a position to either commend or criticize?—A. No, sir.

Hon. Mr. MACKENZIE: What item is that?

Mr. MONTGOMERY: That is \$770,000. I have not bothered with the item of \$200,000 for Sterling because we have had Sterling ad nauseum. I think that covers practically every figure that makes up the \$7,000,000.

By the Chairman:

Q. Mr. King, I am not very good at figures myself but I have the impression in my mind that in addition to the \$30,000,000 of bonds that were first issued, and in addition to the dealings with the Class A Common Shares, the company at a subsequent time authorized the issue of up to \$50,000,000 worth of another class of security, and it is by their dealings with those securities through the agencies, I believe, of the banks or Trust companies, that they are presently carrying on their operations, is that right?—A. That is correct, sir. The \$3,500,000 that I mentioned a while ago was borrowed from the banks on this security which you refer to.

Q. Yes. And am I correct in this; that from time to time as the company presently is requiring moneys for their work the transaction is that they increase

their borrowings and place those interim bonds with the lenders as security?—A. That would be my understanding.

By Sir Eugène Fiset:

Q. Are they not limited at the present time to \$20,000,000?—A. The balance sheet as of May, 1931, shows \$20,000,000.

The CHAIRMAN: I understood there was a resolution on the books of one of the companies authorizing them to go up as high as \$50,000,000.

Mr. FORSYTHE: I think it is \$20,000,000, Mr. Chairman.

The CHAIRMAN: I have in mind probably Mr. Henry's evidence, that the estimated cost of the project to date would be \$76,000,000 and that, therefore, \$46,000,000 would be in his estimation the total borrowings that would have to be made over and above the original proceeds that they received from the sale of the bonds. That is correct, is it?

The WITNESS: Yes, sir.

Mr. GRIFFITH: It is in evidence, I think, that we anticipate that we will require—and authorized—\$50,000,000 but that as a temporary expedient \$20,000,000 have now been authorized. That is the resolution to which you refer.

The CHAIRMAN: Of which \$9,000,000 has been borrowed.

The WITNESS: As at May 31 it was \$3,000,000, and \$6,000,000 has been borrowed, but \$9,000,000 par value of bonds have been deposited as collateral.

The CHAIRMAN: Is there any further question that any member of the committee would like to ask Mr. King? Do any of you gentlemen desire to ask Mr. King any further questions? What about you, Mr. Hellmuth.

Mr. HELLMUTH: No, Mr. Chairman.

Mr. WHITE: There is Mr. Montgomery's suggestion about filing certain documents by Mr. Cameron.

Mr. MONTGOMERY: That will only take a minute. I just want to get those few remaining pages spread on the record.

KENNETH M. CAMERON, recalled.

By Mr. Montgomery:

Q. Mr. Cameron, when you were being examined at page 299, you had before you an exhibit entitled "Memorandum regarding Power Development in various parts of Canada, approved by the Federal Government under the Navigable Waters Protection Act", and you read a list of those particular developments which is reproduced on page 299 of the record, and it forms a part of that large file B17; that is correct, is it not?—A. Yes, sir.

Q. Now, attached to that memorandum, as part of B-17, is a short description of several diversions which are enumerated in the list which is printed?—A. Yes.

Q. And I would like to have spread upon the record, for the convenience of the committee, the remaining sheets of that exhibit. I would like to have that done as they show, do they not, the extent of the diversion, the approximate mileage?—A. Yes, Mr. Montgomery.

Q. And those are all taken to be diversions of navigable streams which had been authorized under the Navigable Waters Protection Act by orders in council?—A. With the exception, I think, Mr. Montgomery, of the Winnipeg Electric Company on the Winnipeg River.

Q. And that was a development back in 1894, was it?—A. The development was proceeded with by the company.

Q. Have you anything to add to the description as given in those pages?

—A. No, Mr. Montgomery.

Mr. JACOBS: How many are there, Mr. Montgomery?

Mr. MONTGOMERY: Twenty-five.

Mr. JACOBS: In different parts of Canada.

Hon. Mr. MACKENZIE: You are putting that on the record, are you not?

Mr. MONTGOMERY: Yes.

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MEMORANDUM REGARDING POWER DEVELOPMENTS IN
VARIOUS PARTS OF CANADA, APPROVED BY THE FEDERAL
GOVERNMENT UNDER THE NAVIGABLE WATERS PRO-
TECTION ACT

This memorandum divides itself into five classes of Water diversions; as follows:—

1. Open channels across dry land.
2. Closed channels across dry land.
3. Diversions from one stream or channel to another.
4. Diversions in the stream itself.
5. Diversions through channels artificially constructed for navigation (canals).

Examples of Class 1:

- (a) Queenstown-Chippawa Power Canal at Niagara Falls.
- (b) Dominion Power and Transmission Company near St. Catharines.
- (c) Great Lakes Power Company, Sault Ste. Marie.
- (d) Hydro Electric Power Commission of Ontario, Nipigon River, Cameron Falls.
- (e) Alcoa Power Company, Saguenay River at Chute a Caron.

Examples of Class 2:

- (a) Ontario Power Company, Niagara Falls.
- (b) International Paper Company, Grand Falls, St. John River, N.B.
- (c) Shawinigan Water and Power Company, St. Maurice River at Shawinigan Falls.

Examples of Class 3:

- (a) Winnipeg Electric Company, Winnipeg River, Pinawa Channel.
- (b) Montreal Island Power Company, Riviere des Prairies, and Riviere des Milles Iles.
- (c) Duke Price Power Company, Saguenay River, Ile Maligne.
- (d) Ottawa River Power Company, Calumet Island, Bryson, Quebec.

Examples of Class 4:

- (a) Winnipeg Electric Company, Winnipeg River, Pinawa Channel.
- (b) Montreal Light, Heat & Power Consolidated, Lachine Rapids, development.
- (c) Cedars Rapids Manufacturing and Power Company, Cedars Rapids, St. Lawrence River.
- (d) Carillon Construction Company, Carillon Dam, Ottawa River.
- (e) Ottawa River Power Co., Calumet Island, Bryson, Que.
- (f) Shawinigan Water and Power Company, St. Maurice River, La Gabelle.
- (g) Laurentide Power Company, St. Maurice River, Grand'Mere, Que.

Examples of Class 5:

- (a) Dominion Power and Transmission Company from Niagara River and Old Welland Canal near St. Catharines.
- (b) Provincial Light and Power Company, from Soulanges Canal at foot of Cedars Rapids.
- (c) Various powers from Lachine Canal near Montreal.
- (d) Cornwall Canal, near Iroquois, Ont.
- (e) Canadian Light and Power Company, abandoned old Beauharnois Canal, near St. Timothee, Que.

BRIEF DESCRIPTION OF THE ABOVE POWERS

Class 1a—Queenstown-Chippawa Power Development

Authorized 1917-1921. Twelve and a half miles of artificial waterway, diverting water from Grace Island Pool, Niagara River, above Niagara Falls, through four and a half miles of the Welland River reversed in flow, then through about eight miles of canal to Queenston, where the water is returned to the Niagara River.

Class 1b—Dominion Power and Transmission Company

The water is taken from the Niagara River and the old Welland Canal through a series of artificial pools or lakes across the Niagara Peninsula and discharges over the escarpment near St. Catharines into Twelve-Mile Creek and then into the Niagara River above Lake Ontario.

Class 1c—Great Lakes Power Company, Sault Ste. Marie

This development takes water from Lake Superior above St. Marys Rapids through a side canal and waterway and discharges into St. Marys River at almost the level of Lake Huron, a total length of diversion of between one and two miles.

Class 1d—Ontario Hydro, Nipigon River

The Ontario Hydro built a dam across the river at Cameron Falls and diverted the whole flow through a side canal and tail race on one side of the river, approximately one half mile long.

Class 1e—Alcoa Power Company, Saguenay River, Chute a Caron

The Alcoa Power Company is now constructing a large diversion canal from Chute a Caron on the Saguenay River across country to the Shippagan River and thence back to the Saguenay, the total length believed to be between four and a half and five miles.

Class 2a—Ontario Power Company, Niagara Falls

The Ontario Power Company takes water from the Niagara River above the Falls through a series of pipe lines from thirteen and a half to eighteen feet in diameter and discharges the water below the Falls, the total length of diversion being about one and a half miles.

Class 2b—International Paper Company, Grand Falls, St. John River, N.B.

The diversion is made by means of a tunnel through rock cutting across a point underneath the town of Grand Falls, N.B., the length of about one-half mile.

*Class 2c—Shawinigan Water and Power Company, Shawinigan Falls,
St. Maurice River*

There are a number of diversions at Shawinigan Falls from a point above the crest of the Falls to the pool below, by means of closed waterways, mostly of the pipe line variety, a few hundred feet in length and for a head of about 150 feet.

Class 3a—Winnipeg Electric Company, Winnipeg River, Pinawa Channel

This company built a dam across one channel of the Winnipeg River and diverted part of the flow into a small overflow channel transforming it into an artificial waterway about fifteen miles in length, with the power house at the lower end. Built about 1894.

*Class 3b—Montreal Island Power Company, Rivière des Prairies and
Rivière des Milles Îles*

These two rivers are outlets of the Ottawa River, one situated on either side of Ile Jesus. It is understood arrangements are being made to divert water from one channel to the other to gain the advantage of higher head at Terrebonne.

*Class 3c—Duke Price Power Company Ile Maligne and Lake St. John,
Saguenay River*

This development closes the channel known as the Little Discharge, and diverts the water through the other channel known as the Grand Discharge for use at Ile Maligne and has regulating gates on the Little Discharge outlet for flood conditions.

*Class 3d—Ottawa River Power Company, Calumet Island, Ottawa River,
Bryson, Que.*

The Bryson development consists of a dam across the North Channel, of the Ottawa River between Calumet Island and the Quebec shore, which raises the water level to the level of the Ottawa River at the head of the island, and then a side canal from the dam is built along the shore of Calumet Island, discharging through a power house and tail race near the foot of Calumet Island into the Ottawa River. The South Channel of the Ottawa River is not yet dammed.

Class 4a—Winnipeg Electric Co., Winnipeg River, Pinawa Channel

See description under Class 3a, as this is a combination of Classes 3 and 4.

*Class 4b—Montreal Light, Heat and Power Consolidated,
Lachine Rapids*

This development was built in the last decade of the 19th Century and consists of long wing-wall, parallel to the north shore of the St. Lawrence River in the Lachine Rapids, discharging through a power house built across the artificial waterway so created, and thence into a tail race in the lower part of the rapids. It extends about a mile up and down stream.

Class 4c—Cedars Rapids Manufacturing and Power Company

This plant is built in the St. Lawrence River about midway between Lake St. Francis and Lake St. Louis, in the Cedars Rapids and extends from Ile au Vache at the upstream and to a point about opposite Ste. Timothee at the downstream end. It consists of a long artificial dyke built parallel with the north shore of the St. Lawrence River, combined with an excavated canal or waterway across Point du Moulin, so that the plant is really a combination of Classes 1 and 4.

*Class 4d—Carillon Construction Company, Ottawa River,
Old Carillon Dam*

This plant is situated at the southerly end of the old Carillon dam and was built by cutting a short canal into the south bank of the river and discharging the water through a power house to a point below the dam and joining the power house to the south end of the dam.

Class 4e—Ottawa River Power Company, Calumet Island, Bryson, Que.

This plant is really a combination of Class 3 and Class 4 and has already been described under Class 3d.

*Class 4f—Shawinigan Water and Power Company, la Gabelle,
St. Maurice River*

The plan at La Gabelle consists of a series of structures completely across the St. Maurice River, with the water conducted to one side where it goes through the power house and is discharged into the pool downstream.

Class 4g—Laurentide Power Company, Grand'Mere, St. Maurice River

The Laurentide plant consists of a series of structures completely across the St. Maurice River near Grand'Mere, with the water led to one side of the river and discharged through the power house structure into the pool below.

Class 5a—Dominion Power and Transmission Co., Near St. Catharines.

This plant is really a combination of Classes 1 and 5 and is described under Class 1b.

Class 5b—Provincial Light and Power Company, Soulanges Canal

This diversion makes use of the Soulanges Canal as its head race for about two-thirds the length of the canal, and uses many times the amount of water required for navigation purposes.

Class 5c—Various Powers from Lachine Canal, Near Montreal.

A number of diversions are found along the Lachine Canal near Montreal after the water has passed through many miles of waterway.

Class 5d—Cornwall Canal Near Iroquois, Ont.

The Cornwall Canal is used for power purposes near Iroquois similarly to other canals.

Class 5e—Canadian Light and Power Company, old Beauharnois Canal near Ste. Timothée

The old Beauharnois Canal on the south side of the St. Lawrence is used as a head race or waterway for the power plant situated near Ste. Timothée, Que., the intake being near Valleyfield. The Canal has been abandoned for navigation purposes for many years and is now used entirely for power, diverting water from Lake St. Francis for that purpose and discharging it into the St. Lawrence River near the foot of Cedars Rapids.

By Mr. Montgomery:

Q. There is one that I would like to ask you about, and that is the Grand Falls one on the St. John River. You are familiar with that, are you not?—

A. Yes, I am.

Q. There were two orders in council, were there not, affecting that?—

A. Yes.

By Mr. Jacobs:

Q. Is that an international stream?—A. Not at the point of development. It becomes an international stream about two miles above and the works raise the water in the international section.

By Mr. Montgomery:

Q. And consequently had to be approved by the International Joint Commission?—A. Yes.

Q. The approval of this scheme as I understand it, was asked for by the New Brunswick Power Commission first, was it not?—A. Yes.

Q. And approval had been granted them?—A. Yes.

Q. The New Brunswick Power Project was subsequently taken over by the International Paper Company, was it not?—A. By the St. Lawrence River Power Company.

Q. Which is a subsidiary?—A. Yes.

Q. Was it carried out as first approved?—A. No. They made a change in it. The scheme was to throw a dam across the St. John River just above the falls, at Grand Falls, with sluice gates to regulate the level of the river, and the water was to be taken through an intake which immediately up-stream on the south side abutted on the dam. The scheme as built, and as subsequently approved, changed that intake about its own length further up-stream.

Q. Changed the intake?—A. Changed the intake up-stream approximately the length of the original intake.

Q. Change the intake upstream?—A. Yes approximately the length of the original intake. The development originally was from that point on an alternative; they showed an alternative on an overland canal to carry the water to the brink of the declivity and then pass it down through penstocks to the power house. The alternative to that was a tunnel, and they finally constructed the tunnel.

Q. Now, did you submit to the Department of Justice the question whether it was necessary to go through the formalities under the Navigable Waters Protection Act?—A. Yes, and we were advised that if the change was not a material one the approval was not necessary.

Q. And, in fact, they were not required to get that approval?—A. No.

By Mr. Lennox:

Q. You have been listening to the evidence since you gave your evidence before?—A. Most of it.

Q. In view of what you have heard are you now of the opinion that it was the intention of the company to ultimately take over the whole flow?—A. I never had any doubt but that they would come back and apply for more.

Q. You seemed to be in doubt when you gave your evidence before?—A. I could not have been in doubt. It was not my intention to leave that impression.

The CHAIRMAN: You did leave it.

By Mr. Lennox:

Q. What is your impression now?—A. My impression was that the company would certainly come back and apply for approval for the diversion of more water up to practically the whole development flow of the river.

By the Chairman:

Q. And that is the reason why the banks were put so far apart?—A. Yes. I think in fairness to myself I should point out, speaking from memory, that when Mr. Geoffrion appeared before the then Minister of Public Works with his associates at the hearing, he read into the record an amended application; but subsequently, if my memory serves me rightly, he said at the same hearing that the company would certainly come back and apply for more water.

Q. Do you remember being asked why the banks were put so far apart?—A. By the committee? By you?

Q. Yes?—A. I remember the discussion that took place when I was giving evidence.

By Mr. Lennox:

Q. Do you remember your answer?—A. I cannot remember the exact words.

Q. At any rate, you are now satisfied that the reason the banks were put so far apart was because of the increased flow?—A. Yes; I never had any other impression.

Mr. WHITE: In fairness to Mr. Cameron may I point out what he stated in answer to a question at page 265 of the Evidence:—

Q. You knew all about what they were doing?—A. Yes, sir. I never had any doubt in my mind that they would come back and ask for more water.

Mr. MONTGOMERY: I would like to spread on the record further extracts from Exhibit No. 17-804-1D, showing the correspondence with Washington over this approval.

Hon. Mr. MACKENZIE: What is the date of that?

Mr. MONTGOMERY: The 22nd March, 1929, just following the order in council. It was reported to Washington, and in this file are Washington's acknowledgment, and so on. There is quite a long letter here which I would like to have spread upon the minutes of the proceedings from the Hon. Vincent Massey to the Hon. Frank B. Kellogg.

Mr. WHITE: Mr. Kellogg being Secretary of State of the United States?

Mr. MONTGOMERY: Yes. The letter reads as follows:—

22nd March, 1929.

SIR,—I have the honour to state that I have been instructed by the Secretary of State for External Affairs to bring to your attention the approval of His Majesty's Government in Canada of the application of the Beauharnois Light, Heat and Power Company, to divert 40,000 cubic feet of water per second from the St. Lawrence River in the national section between Lake St. Francis and Lake St. Louis. The Company

was granted an Emphyteutic Lease by the Government of the Province of Quebec on the 23rd of June, 1928. Application was thereupon made to the Government of Canada pursuant to the provisions of Section 7, Chapter 140, Revised Statutes of Canada, 1927, the Navigable Waters Protection Act.

This application was examined by a Committee of Engineers composed of K. M. Cameron, Chief Engineer, Department of Public Works; Duncan W. McLachlan, of the Department of Railways and Canals, who was Chairman of the Canadian section of the Joint Board of Engineers; L. E. Côté, Chief Engineer, Department of Marine; and J. T. Johnston, Director of the Dominion Water Power and Reclamation Service.

The Committee was of the opinion that the site and works proposed in the plans and application filed by the said Company, would not impede or interfere with navigation on the St. Lawrence River if the conditions recommended by the Committee—and which are set forth in the Order in Council referred to below—were complied with by the Company; having consideration to the interests of the country as a whole, the Committee was of the opinion that if the works were constructed in accordance with the application and plans, subject to the said conditions, they would be efficiently utilized in connection with, and as part of, any feasible and economical scheme for the deep waterway development of the St. Lawrence River.

Upon full consideration His Majesty's Government in Canada decided that approval of the application should be granted, subject to the following, among other, conditions:—

Then follows an extract from the conditions, and then:—

I have the honour to enclose a copy of an Order in Council approved by His Excellency the Governor General of Canada, on March 8, 1929, in which the construction of the proposed works is approved on the conditions set forth in the Order.

I have the honour to be,
with the highest consideration,
Sir,

Your most obedient, humble servant,
(Sgd.) VINCENT MASSEY.

The Honourable Frank B. Kellogg,
Secretary of State of the United States,
Washington, D.C.

Now, leaving aside the formal acknowledgment, the letter from the Secretary of State at Washington to the Hon. Mr. Massey reads as follows:—

March 29, 1929.

SIR,—I have the honour to acknowledge the receipt of your note of March 22, 1929, with which you transmit a copy of an Order in Council, signed by His Excellency, the Governor General of Canada, on March 8, 1929, approving the application of the Beauharnois Light, Heat and Power Company, for permission to develop power in the national section of the St. Lawrence River, between Lake St. Francis and Lake St. Louis.

I note the conditions on which the application of the company was approved.

I thank you for your courtesy in furnishing me with a copy of the Order in Council.

Accept, Sir, the renewed assurances of my highest consideration.

For the Secretary of State.

The Honourable Vincent Massey,
Minister of the Dominion of Canada.

AM: EVB: SS 711.42157 Sa 29/581.

Mr. GARDINER: Is that all the correspondence in regard to that?

Mr. MONTGOMERY: That completes the correspondence with Washington.

Hon. Mr. MACKENZIE: There was some correspondence previous to that, in December, 1928.

Mr. MONTGOMERY: I have no record of that.

Mr. WHITE: I might say, Mr. Chairman, with reference to my question of a few moments ago as to the authority for the issue of further bonds, that in the minutes of the Beauharnois Light, Heat and Power Company there is a minute of a meeting of the directors dated January 15, 1931, at which a resolution was passed that the company create an issue of ten year 6 per cent First Mortgage Bonds to the aggregate principal amount of \$20,000,000.

Mr. MONTGOMERY: Before we break up this happy party may I state I am informed that it will be necessary to make a motion for permission to withdraw the originals of a number of exhibits filed and to substitute copies for them. I understood that this had been dealt with in the minutes as we went along, but I am informed that a great many exhibits are minute books, etc.

The CHAIRMAN: We will see that a resolution is passed authorizing the removal of such exhibits from the files if desirable.

Mr. MONTGOMERY: I think copies were handed to Mr. White at the time the books were taken over. Is that correct, Mr. White?

Mr. WHITE: Perhaps it is correct. I made no check of it. I will endeavour to do so.

Hon. Mr. MACKENZIE: Is it the intention of the committee to hear arguments by counsel?

The CHAIRMAN: I do not think it is necessary. I do not know whether I could stand it or not.

Hon. Mr. MACKENZIE: Counsel may desire to offer argument.

By Mr. Stewart:

Q. Mr. Cameron, with reference to the Sterling Industrial Corporation and its application to you or your Department of July 5, 1924, and the reply sent by your Department on July 11, 1924 (page 461 of the Evidence), you point out that there are regulations in your Department which they have not lived up to. You state, or the departmental letter states, that they must comply with the provisions of the Navigable Waters Protection Act; that the plan and description had not been deposited with the Registrar; that the application was not advertised; and that no evidence had been submitted to show that the company had the right to use the site of the proposed works. Now, were any steps taken by that company to comply with those requests of yours?—A. To the best of my knowledge, no. Somewhere in your record appears a precis which I made at Mr. Morin's request.

Q. There has been no further action taken by that company to comply with the regulations as set forth in your letter?—A. No.

Q. Then would they have any standing in your Department with their applications?—A. Subject to legal opinion on that matter I would consider they would not have any.

Q. I beg your pardon?—A. Subject to legal opinion on that matter I would not think they would have much.

Q. If they failed to comply with your request to live up to the regulations their application would be of no value, in your opinion?—A. I would not think so.

By Sir Eugène Fiset:

Q. Was there any time limit set aside within which they must comply with the conditions mentioned in that letter?—A. Not at all.

Q. So they could comply with them at any time?—(No answer.)

By Mr. Jacobs:

Q. They are working on their own ground now, are they not?—A. Yes.

Mr. JACOBS: We are simply going into the question all over again. We discussed that for days here.

The CHAIRMAN: General Stewart has not taken up much of the time of the committee.

Mr. JACOBS: No, he has not. I think we should move a vote of thanks to the General for that reason.

Mr. STEWART: There are other questions I would like to ask.

The CHAIRMAN: I will endeavour, gentlemen, to let you know if we intend to hold another public hearing. I doubt that we will, but if we do I will endeavour to let all interested parties know through the clerk of the committee.

Adjourned to the call of the Chair.

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Canada & Beauharnois Power Project
House of Commons

SESSION 1931

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON



BEAUHARNOIS POWER PROJECT

MINUTES OF PROCEEDINGS

AND

REPORT OF THE COMMITTEE

No. 21

TUESDAY, JULY 28, 1931

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1931

MINUTES OF PROCEEDINGS

TUESDAY, July 28, 1931.

The Special Committee appointed to investigate the Beauharnois Power Project met at 9.30 a.m. Hon. Mr. Gordon, the Chairman, presided.

Members present: Messrs. Dorion, Fiset (Sir Eugène), Gardiner, Gordon, Jacobs, Jones, Lennox, Mackenzie (*Vancouver Centre*), Stewart (*Lethbridge*).

A Draft Report was submitted by the Chairman as a basis for a Report to be presented to the House of Commons.

The Draft Report was considered.

The Committee adjourned at 1.35 p.m. until 2.15 p.m.

The Committee resumed at 2.15 p.m.

Members present: Messrs. Dorion, Fiset (Sir Eugène), Gardiner, Gordon, Jacobs, Jones, Lennox, Mackenzie (*Vancouver Centre*), Stewart (*Lethbridge*).

On motion of Mr. Lennox,—

Ordered, That,

- (1) Counsel for the Committee;
- (2) The Secretary to Mr. White, K.C., of Counsel for the Committee; and
- (3) The Auditors employed by the Committee, be retained until the Committee's Final Report is disposed of by the House of Commons.

On motion of Sir Eugène Fiset,—

Ordered, That the accounts received from Dr. John F. Argue and Dr. F. W. McKinnon for \$100 each, as well as the account which may be submitted by Dr. Kidd, all in regard to the medical examination of Hon. Senator Haydon, made for the Committee, be paid.

The Committee resumed consideration of the Draft Report submitted by the Chairman.

It was unanimously agreed that the following be presented to the House of Commons as a Fourth Report, viz:—

JULY 28, 1931.

The Special Committee appointed to investigate the Beauharnois Project beg leave to present the following as a Fourth Report.

1. On the 10th day of June, 1931, the House of Commons adopted the following Resolution; That Messrs. Dorion, Fiset (Sir Eugène), Gardiner, Gordon, Jacobs, Jones, Lennox, Mackenzie (*Vancouver Centre*), Stewart

(*Lethbridge*), be a committee to investigate from its inception the Beauharnois project for the development of hydro-electric energy by the use of the waters of the St. Lawrence River so far as the matters referred to are within the jurisdiction of the Parliament of Canada, and without restricting the generality of the foregoing words in particular to investigate the matters referred to in the speech made in the House of Commons by Mr. Robert Gardiner, the honourable member for Acadia, on the 10th day of May last, as reported on pages 1875-1887 of Hansard, and to report from time to time their observations and opinion thereon; with power to send for papers, persons and records. Honourable W. A. Gordon was on the 15th of June, 1931, appointed Chairman of the Special Select Committee.

2. (1) The Committee sat from the 15th day of June, 1931, to the 22nd day of July, 1931, held on most of these days more than one session and examined 35 witnesses.

(2) On the 1st of July, the members of the Committee visited and inspected the site of the works.

There were filed with the Committee 129 exhibits.

3. SOULANGES SECTION—ST. LAWRENCE RIVER

(1) The Soulanges section of the St. Lawrence River is that portion thereof lying between Lake St. Francis and Lake St. Louis which are some $14\frac{1}{2}$ miles apart, and between which there is a fall of 83 feet. The average normal available flow of the river through this section is in the vicinity of 230,000 cubic feet per second for 50 per cent of the time, making possible a development of 2,000,000 horse power of commercial electric energy at 85 per cent load factor. The site is in close proximity to the City and Port of Montreal, and is conveniently located on what must soon be a waterway capable of accommodating ocean-going vessels. It has therefore great possibility for industrial development if cheap power is available.

(2) It is apparent that the Soulanges section thus presents an opportunity for hydro-electric development almost if not quite unique on the face of the globe. It is one of the greatest national resources in Canada, and in its natural state of great potential value.

4. HISTORY

(1) About the year 1800, Edward Ellice, the Seigneur of Beauharnois, erected a small "moulin Banal" at the mouth of the St. Louis River and in order to increase the flow of the river, in 1807 built a small feeder, four miles in length, from Lake St. Francis to the head waters of the River. This constituted the first diversion in the Soulanges section of the St. Lawrence River for power purposes. Whatever water rights were incidental to this feeder later passed into the hands of a family named Robert and apparently formed the basis of the applications for power rights hereinafter mentioned. Details concerning the Robert "rights" may be found in a judgment delivered in the Exchequer Court of Canada in the case of Robert vs. the King (9 Exchequer Court Reports). Reference may be had also to Exhibit No. 29, a memorandum prepared by Mr. R. C. Alexander.

(2) In 1855 the Government of the Province of Canada built a dyke, known as the Hungry Bay Dyke, as a protection against floods. It rebuilt the control gates of the feeder and in 1883 the Government of Canada deepened and widened the feeder and installed new gates in the dyke at the feeder entrance, considerable sums of money having been appropriated for this purpose.

(3) In 1902, J. B. Robert, as the grantee of the representatives of Edward Ellice, brought action against the Crown for a declaration of his rights and judgment was pronounced on the 17th October, 1904, deciding that Robert held substantial rights in the feeder. A compromise was arrived at by which the feeder was leased to the heirs of J. B. Robert by the Department of Public Works under date of the 28th December, 1909, for a period of 21 years. This was authorized by Order in Council, P.C. 2168, of the 9th December, 1909.

(4) In 1902 by Quebec Statute 2 Edward VII, Chapter 72 of the 26th March, 1902, the Beauharnois Light, Heat and Power Company was incorporated with power to enlarge and extend the feeder. As a consequence of the finding of the Exchequer Court that J. B. Robert was not the owner of the feeder, in 1910 another Provincial Act was passed giving the Company the right to build a new canal or feeder from any point on the original feeder to any point on the St. Louis River at or near the town of Beauharnois. This Company thus became possessed of certain rights in respect of the diversion of water for power purposes from Lake St. Francis. The shares of the Beauharnois Light, Heat and Power Company were all owned by W. H. Robert and other members of the Robert family. On the 3rd February, 1927, Mr. R. O. Sweezy obtained from the Roberts an option of all the issued capital stock of the Company and the Company's rights.

THE ROBERT INTERESTS

(5) W. H. Robert and the other Robert heirs received for the 2,000 shares of the Beauharnois Light, Heat and Power Company and such other rights, if any, as were then outstanding in them

- (1) Cash \$1,520,000.
- (2) 200 fully paid part interests in the Beauharnois Power Syndicate.
- (3) 21,000 Class A shares of the Beauharnois Power Corporation.
- (4) 100 fully paid part interests in the Beauharnois Syndicate transferred from R. O. Sweezy account, which became 200 part interests in the Beauharnois Power Syndicate.

(6) In addition to the above-mentioned 400 part interests in the Power Syndicate owned by the Roberts, W. H. Robert held a further three hundred units in his own name on which he owed \$10,000 as at December 17th, 1929. For the 700 part interests, referred to above, the Robert heirs received, on the dissolution of the Syndicate, cheques aggregating \$95,000, together with 28,000 shares of the Class A Common stock of the Beauharnois Power Corporation Limited.

(7) In the same year, Mr. Sweezy applied to the Quebec Legislature for an amendment to the Act incorporating the Company permitting the construction of a canal between Lake St. Francis and Lake St. Louis. This application was refused.

(8) On the 17th March, 1927, the Beauharnois Light, Heat and Power Company applied to His Excellency the Governor General in Council for approval of a proposal to build a power canal "which can be readily adapted for thirty foot navigation requirements also" from a point on Lake St. Francis near the mouth of the St. Louis feeder to Lake St. Louis and to use so much of the water of the St. Lawrence River as can be taken through the proposed canal without interfering with navigation and without interfering with existing prior rights in the River St. Lawrence." This application was not pressed.

(9) On the 17th January, 1928, the Beauharnois Light, Heat and Power Company applied to His Excellency the Governor General in Council "for

approval under the Navigable Waters Protection Act of its plans and site of proposed works herein described and for the right to divert forty thousand cubic feet per second (40,000 c.f.s.) from Lake St. Francis."

(10) In March, 1928, by Statute of the Province of Quebec (18 George V Chapter 113), a new section, 11A, was added to the original Act of incorporation giving the Company the right to build a new canal from any point within two miles in a southwesterly direction from the mouth of the St. Louis feeder to any point on Lake St. Louis within one and a half miles in a westerly direction along the shore of Lake St. Louis from the mouth of the St. Louis River and giving the Company the right to expropriate lands not exceeding six arpents in width.

(11) On the 27th April, 1928, Mr. Swezey and his associates obtained the passing of an Order in Council by the Executive Council of Quebec authorizing the granting to the Beauharnois Light, Heat and Power Company of an emphyteutic lease, which lease was subsequently executed on the 23rd June, 1928, and which grants to the Beauharnois Light, Heat and Power Company the rights of the Province of Quebec to such part of the hydraulic power of the St. Lawrence River as can be developed between Lake St. Francis and Lake St. Louis through a derivation (six diversion) Canal on the right (southern) shore of a maximum flowing capacity of forty thousand cubic feet per second (40,000 c.f.s.), (the Province reserving the ownership and the free disposition of the surplus) for a period of 75 years from the 23rd June, 1928, at an annual rental of \$20,000 for the first five years and \$50,000 for each of the subsequent years and an additional payment of \$1 for each horse power year revisable after each period of ten years from the date the plant will have been put in operation. The Company agrees that at the expiration of the first five years it will have installed 100,000 h.p.; at the expiration of the sixth year, 200,000 h.p.; at the expiration of the seventh year, 300,000 h.p.; and at the expiration of the tenth year, 500,000 h.p. The lease is granted without prejudice to Federal and Provincial laws concerning navigation, mines, fisheries and the driving of logs and also *upon the understanding that the lessee* "who is presently negotiating with the Federal Government shall obtain from the latter in so far as its rights are concerned, the authorization to divert a flow of forty thousand cubic feet per second (40,000 c.f.s.)" and in the event of the approval of the Federal Government not being obtained within twelve months, the lease may be cancelled by the Lieutenant Governor in Council.

(12) Having obtained the amendment to its Charter and the lease from the Province of Quebec, the Company pressed its application to the Governor General in Council and on the 15th January, 1929, a hearing was held by the then Minister of Public Works and two other members of the Dominion Government, at which were considered protests from shipping companies and power interests.

(13) The application originally contemplated the diversion of the whole flow of the St. Lawrence River. To meet the opposition to the application at this hearing, Mr. Aime Geoffrion, K.C., who appeared for the applicant, amended the application to read as follows:

The application of the Beauharnois Light, Heat and Power Company now pending before the Governor in Council is purely and simply for the approval of plans for hydraulic development which will be subject to a condition that not more than 40,000 cubic feet per second shall be diverted from the river—from Lake St. Francis, to be returned to Lake St. Louis, and used for power purposes by the Company between these two points; and any condition that the Government may exact, in any wording

satisfactory to the Government involving that limitation, is accepted in advance by the applicant. If the engineers think that the plans should be altered to meet this declaration the Company will submit to any such alteration.

(14) It should be noted that notwithstanding the limitation to the 40,000 c.f.s. the plans of the Company and the works so far as constructed clearly show and the officers of the Company and of the Department of Public Works admit that at all times there has been in contemplation the diversion of the whole flow of the River by this Company.

(15) A Committee of Departmental Engineers was constituted, composed of Mr. K. M. Cameron, Chief Engineer of the Department of Public Works, Mr. D. W. McLachlan, Engineer in charge of the St. Lawrence Waterway Project, Mr. J. T. Johnstone, Director Dominion Water Power and Reclamation Service and Mr. Louis E. Cote, Chief Engineer of the Department of Marine, and on the 30th January, 1929, made a report which is part of Exhibit No. 17, in the file of the Public Works Department 804-1-D.

(16) Certain paragraphs of this report are as follows:

83. The 40,000 c.f.s. diversion project can be authorized without injury to existing navigation, *if the plans submitted are subject to modification and to regulations embodying the restrictions referred to in this report.*

89. Having regard to the application under the Navigable Waters Protection Act, now under consideration, your Committee are of the opinion that the site and works proposed in the plans and application filed by the said Company will not impede or interfere with navigation on the St. Lawrence River if the conditions attached hereto are met by the Company and, having consideration to the interests of the country as a whole, we are of the opinion that if the works are constructed in accordance with such application and plans subject to the said conditions the same can be efficiently utilized in connection with and as part of any feasible and economical scheme which the Government of Canada may eventually decide upon for the deep waterway development of the St. Lawrence River.

14. The works proposed by the Beauharnois Company consist of the following:

1. A canal extending from Hungry Bay, at the foot of Lake St. Francis to Melocheville, at the head of Lake St. Louis, said canal being contained between banks which are 1,100 feet apart where hard materials are encountered, and 4,100 feet apart, where soft materials are encountered.
2. A power house at Melocheville equipped with ten 50,000 H.P. units.
3. Regulating works at Thorn Island and at Leonard Island. These are designed to hold up the level of Lake St. Francis, when a diversion of 40,000 c.f.s. from that Lake is made.
4. A series of works in the four rapid stretches of the river between Thorn Island and the head of Lake St. Louis. These are designed to maintain existing depths in channels, and also to maintain existing levels at the head and foot of the Cedar Rapids works.

15. The works proposed by the Beauharnois Company affect in varying degrees canal navigation, river navigation, power developments, and future plans for a deep waterway.

(17) The Committee expressed disapproval of the remedial works and channel improvements and in Paragraph 28 stated that the Committee while offering the suggestions aforementioned can only recommend approval of these works subject to modifications to meet conditions as experience shows them to be necessary. In Paragraph 31, the Committee says, "the design of remedial works for use in the Rapids below Grande Island is not yet worked out in a satisfactory manner." It will thus be seen that the approval of this Committee was qualified and that certain of the plans were not in their view sufficient.

(18) On the 8th March, 1929, Order in Council P.C. 422 was approved by His Excellency the Governor General on the report from the Minister of Public Works. This Order in Council recites the application of the 17th January, 1928, the deposit of plans, the grant of the emphyteutic lease and the report of the aforementioned Engineers.

(19) It sets out twenty-eight conditions, subject to which the recommendation for approval is made.

(20) The Committee, on the recommendation of the Minister of Public Works, submitted for His Excellency's approval, under Section 7, Chapter 140, Revised Statutes of Canada, 1927—the Navigable Waters Protection Act—(Subject to the foregoing conditions and to such additions, improvements, alterations, changes, substitutions, modifications or removals as may be ordered or required thereunder), the annexed plans of works and the site thereof according to the descriptions and plans attached in booklet form, which works were proposed to be constructed by the Beauharnois Light, Heat and Power Company *with respect to the diversion of 40,000 c.f.s. from Lake St. Francis to Lake St. Louis* in connection with a power canal to be built by the said Company along the St. Lawrence River between the two lakes mentioned.

(21) By reference to the large plan submitted with the application, and referred to in the Order in Council P.C. 422, and which is Exhibit No. 2A, it will be observed that there are two cross sections shown, one at Mileage 144·3 which shows a width between the embankments of about 1,100 feet, this being typical of the rock section of the work. This cross section also shows a width at the bottom of the deep section of the canal of something over 1,000 feet. In the cross section which is given as typical for each section, at Mileage 152·0 the width between the embankments is shown as about 4,100 feet, and the bottom of the deep section, approximately 27 feet, is shown as having a width of about 500 feet.

(22) Subsequently on the 29th July, 1929, modified plans were submitted to the Department of Public Works by the Company, and for these there were on the 22nd August, 1930, certain other plans substituted. None of these has as yet received the approval of the Minister of Public Works, although the Chief Engineer of the Department has recommended them for approval. Plans submitted on the 22nd August, 1930, did include plans for the remedial works, but such plans were subsequently withdrawn and as the matter now stands there is not before the Department for approval any plan or plans of these remedial works.

(23) On the 10th February, 1931, the Beauharnois Light, Heat and Power Company applied to the Quebec authorities for a lease of a further 30,000 cubic feet per second, and has now obtained this right.

(24) On the 25th June, 1929, an agreement was entered into between the Beauharnois Light, Heat and Power Company and His Majesty represented therein by the Minister of Public Works of Canada, Exhibit No. 43, which agreement incorporates the terms and conditions of P.C. 422.

(25) On the 6th November, 1929, the Governor General in Council passed three Orders in Council, numbers P.C. 2201, 2202 and 2203, authorizing the transfer of three water power leases from the Montreal Cotton Company to the Beauharnois Light, Heat and Power Company, and on the 3rd December, 1929, three agreements were entered into between the Montreal Cotton Company, the Beauharnois Light, Heat and Power Company, and His Majesty represented therein by the Minister of Railways and Canals of Canada (Exhibits 7A, 8A and 9A) by virtue of which the Beauharnois Light, Heat and Power Company acquired with the consent of His Majesty the right to use and divert into the canal to be built 13,072 cubic second feet presently used by the Cotton Company at or near Valleyfield under an effective head of about 10 feet.

(26) A difficulty may arise in connection with these three leases by reason of the fact that the Department of Public Works takes the position that under the Order in Council P.C. 422 there is only authority to grant an opening in the Hungry Bay dyke sufficient to take 40,000 cubic feet a second (See Evidence Page 363).

(27) On the 5th December, 1929, the Lieutenant Governor in Council of Quebec passed an Order in Council authorizing the diversion of this 13,072 feet.

(28) On the 20th March, 1930, the Charter of the Beauharnois Light, Heat and Power Company was further amended by enactment 20 George V, Chapter 136 (Quebec), which extended the expropriation powers of the Company so that for the purpose of building its new canal it might "expropriate such lands as may be necessary, not exceeding in all 21 arpents in width."

(29) In the final result, the Beauharnois Light, Heat and Power Company appear to have obtained from the Dominion of Canada Orders in Council purporting to authorize the diversion of 53,072 cubic second feet, subject to their obtaining permission to breach the Hungry Bay dyke sufficiently for that purpose, and subject also to compliance with the conditions of the Orders in Council and the approvals of plans.

(30) They have also obtained from the Province of Quebec a 75 year lease for 40,000 cubic second feet, authority from the Lieutenant Governor in Council of Quebec to acquire the use of 13,072 c.s.f. and in 1931 the right to use an additional 30,000 c.s.f.

5. CORPORATE ORGANIZATION

(1) There were two syndicates prior to the incorporation of the Beauharnois Power Corporation Limited, the present holding company, the first being the Beauharnois Syndicate and the second the Beauharnois Power Syndicate. These will be referred to, sometimes, for convenience as the First Syndicate and the Second Syndicate, respectively.

THE FIRST SYNDICATE

(2) About the 12th May, 1927, Mr. Sweezey organized the syndicate known as the Beauharnois Syndicate, having 5,000 units or part interests. This Syndicate existed until the 4th April, 1928, at which date the holdings were as follows:—

Member	Number of part interests	Issue price	Amount
		\$ c.	\$
Blaiklock, S. Turnstall.....	25	100 00	2,500
Credit Generale du Canada.....	800	37 50	30,000
Dobell, Wm. M.....	50	100 00	5,000
Geoffrion, Aime P.....	200	100 00	20,000
Griffith, Hugh B.....	150	100 00	15,000
Ibbotson, Ivan L.....	25	100 00	2,500
Molson, F. S.....	350	45 71	16,000
Moyer, L. Clare.....	800	37 50	30,000
McGinnis, Thos. A.....	100	100 00	10,000
Newman, Henry.....	50	100 00	5,000
Newman, Sweezey & Co., Ltd., In Trust.....	1,050	42 86	45,000
Robert, Wm. H.....	100	100 00	10,000
Shortt, Dr. Adam.....	10	100 00	1,000
Stadler, John.....	100	100 00	10,000
Sutherland, Wm.....	25	100 00	2,500
Steele, R. W.....	250	100 00	25,000
Sweezey, R. O.....	900	30,000
Kenny, T. Fred.....	15	100 00	1,500
	5,000	261,000

(3) The units subscribed for in the name of the Credit Generale du Canada were subscribed and held for Senator Donat Raymond.

(3A) 1,000 of the units in the name of Newman, Sweezey & Company, Limited, were held for Frank P. Jones and 50 for Fred M. Connell. The Honourable Walter G. Mitchell had a half interest in Mr. Jones' holdings.

(4) The units in the name of L. Clare Moyer are said to have been subscribed on behalf of the late Winfield Sifton. Senator Wilfrid L. McDougald states that on the 18th May, 1928, he agreed to acquire them, the transaction being completed about the end of that month.

(5) The units in the name of R. W. Steele were held for the Dominion Securities Corporation.

(6) The price to subscribers Raymond and Moyer was \$37.50 per unit and Frank P. Jones acquired 800 of his and Mr. Mitchell's units from Newman, Sweezey & Company, Limited, at the same price.

(7) Of the 900 units in the name of R. O. Sweezey, 600 were issued pursuant to the syndicate agreement for consideration other than cash and the balance of 300 subscribed for at \$100 per unit.

(8) The 350 units subscribed for by F. S. Molson were at an average price of \$45.71 per unit.

(9) The Newman, Sweezey & Company, Limited, units were at an average price of \$42.86 and all other subscribers paid at the rate of \$100 per unit.

(10) The average price of the 4,400 units sold for cash was \$59.32.

THE SECOND SYNDICATE

(11) On the 4th April, 1928, the Beauharnois Power Syndicate was organized and acquired the assets of the Beauharnois Syndicate, the consideration being two units of the new Syndicate for each one unit of the old Syndicate with the right to unit holders to subscribe for as many units in the new syndicate as each already held therein at \$100 per unit, being the par value thereof.

(12) The members of the Beauharnois Power Syndicate holding 100 or more units or part interests, as on the 17th December, 1929, were as follows:—

Members	Number of Part Interests
Gerald E. F. Aylmer & E. J. Mackell.....	100
S. Turnstall Blaiklock.....	100
A. L. Caron.....	221
Fred M. Connell.....	200
H. V. Cullinan & D. M. Carmichael.....	250
William M. Dobell.....	200
Dominion Securities Corporation Ltd.....	1,492
John P. Ebbs.....	5,200
Aimé Geoffrion.....	800
Hugh B. Griffith.....	600
Hanson Brothers Inc.....	110
C. J. Hodgson & Co.....	175
Angus W. Hodgson.....	740
J. Charles Hope.....	130
Jones Heward & Co.....	210
Thomas A. McGinnis.....	450
F. Stuart Molson.....	465
F. W. Molson.....	100
Montreal Trust Co.....	8,000
Henry Newman.....	395
Newman, Sweezey & Co. Ltd.....	410
O'Brien & Williams.....	101
Joseph H. Paull.....	100
W. C. Pitfield & Co. Ltd.....	152
Hon. Donat Raymond.....	351
Ritchie (R. L.) and Gilmore (K. F.) in trust.....	350
Wm. H. Robert, Joseph A. Robert, Miss Sarah M. Robert, personally, and as executors of the late Sarah Robert.....	200
William H. Robert.....	366
William Sutherland.....	100
Robert O. Sweezey.....	1,000
Part interest holders of less than 100 part interests.....	1,932
	25,000

All of these with the exception of part interests exchanged for holdings of part interests in the first syndicate, and the 2,000 part interests that were used to purchase the shares of the Sterling Corporation, and also except 200 units issued to the Robert heirs, were paid for at the rate of \$100 per part interest. These 2,000 units are included above in the holdings of John P. Ebbs.

The 5,200 units in his name were held for Hon. W. L. McDougald, and will be referred to hereafter.

(12A) The capital of the Beauharnois Syndicate consisted of 30,000 units at the par value of \$100 each, of which 25,000 were issued.

(13) The tangible assets of the first or Beauharnois Syndicate totalled not over \$261,000 as on the 4th April, 1928.

BEAUHARNOIS LIGHT, HEAT AND POWER COMPANY

(14) This Company has been in existence since 1902, as previously mentioned. The control passed to Mr. Sweezey and his associates on or about the 3rd February, 1927. Under the agreement of that date (Exhibit No. 60) and according to the Minutes of the meeting of the Directors held on that day, Mr. H. B. Griffith was elected a Director and Secretary of the Company. It

was not, however, until the 13th June, 1927, that a Board of Directors consisting of Mr. Sweezey and his associates including Mr. R. W. Steele, representing the Dominion Securities Corporation, took charge of the Company's affairs.

BEAUHARNOIS POWER CORPORATION LIMITED

(15) This Company was incorporated on the 17th September, 1929, by the Ottawa legal firm of McGiverin, Haydon and Ebbs by letters patent under the Dominion Companies Act. It was granted wide powers of acquisition and development of natural resources and in connection with the production, use, distribution or disposal of energy, power, water, light or heat.

(16) The authorized capital stock is five Management Preferred shares without nominal or par value; 1,799,995 Class A Common shares without nominal or par value and 3,200,000 Class B non-voting Common shares without nominal or par value.

(17) The holders of the five Management Preferred shares during the ten years next succeeding the date of the letters patent have the exclusive right to vote for the election of Directors of the Company. At the expiry of this period these automatically become Class A Common Shares.

(18) At a meeting of the Company on the 31st October 1929 held at the office of Messrs. McGiverin, Haydon and Ebbs in the City of Ottawa, a proposed memorandum of agreement, dated the 31st October 1929, between the Beauharnois Power Syndicate, the Marquette Investment Corporation and the Beauharnois Power Corporation Limited, was submitted providing for the acquisition by the Company or its nominees of all the undertakings and assets of the Syndicate except unpaid or uncalled balances in respect of purchases of units or part interests of the Syndicate. The consideration was

- (a) \$4,750,000 cash
- (b) the assumption by the Company of the liabilities and obligations of the Syndicate and
- (c) the undertaking by the Corporation to defray expenses not exceeding \$10,000 of the winding up of the affairs of the Syndicate and the distribution of its assets amongst the members.

The Syndicate, on the other hand, agreed to subscribe at \$1 per share for 1,000,000 Class A Common shares of the Company.

(19) It was resolved that this memorandum of agreement be approved and executed on behalf of the Company.

(20) The Directors present at this meeting were O. F. Howe, and D. K. McTavish, Barristers of Ottawa, and the Misses Belle Fraser, Lila Brennan, Edythe H. O'Malley, Bessie Conniffe, Lillian Dell, Elsie M. Burritt, Gwen Gunderson, Kathleen Havey and Mary H. Kelly, stenographers, all of the City of Ottawa.

(21) At this same meeting, according to the minutes, there was authorized a proposed agreement, dated the 31st October 1929, between Beauharnois Power corporation Limited of the first part and Newman, Sweezey & Company, Limited and the Dominion Securities Corporation of the second part, providing for the creation and issue of thirty year 6 per cent collateral trust sinking fund bonds of the Company to the authorized principal amount of \$30,000,000 and for the sale to Newman, Sweezey & Company, Limited and the Dominion Securities Corporation of the said bonds, together with 770,000 Class A Common shares of the Company for the price of \$27,000,000 and accrued interest of said bonds. This agreement

was subsequently ratified by the shareholders at a meeting held on the same day and at the same place, the above named Directors being all of the shareholders and all being present.

(22) The agreements were subsequently executed and carried out. The Beauharnois Power Syndicate was dissolved as of the 17th December, 1929, its tangible assets at that time consisting of the amount paid in—aggregating for the two Syndicates \$1,561,000. This includes unpaid balances of subscriptions which on the final settlement were deducted from the amounts payable to the individual members, and \$20,000 par of units issued to Robert in part payment for Robert's rights.

(23) The tangible consideration received in respect of the 25,000 part interests issued by the Beauharnois Power Syndicate may be shown thus:

Particulars	Part Interests	Amount
		\$
Issued to members of Beauharnois Syndicate for the acquisition of the undertaking of that Syndicate.....	10,000	261,000
Issued for cash consideration.....	13,000	1,300,000
Issued for the capital stock of Sterling Industrial Corporation Limited.....	2,000
	25,000	1,561,000

For purposes of exactness, it should perhaps be noted that the above amount of \$1,300,000 includes \$20,000 in respect of 200 part interests of Beauharnois Power Syndicate issued as fully paid to the Robert Heirs in part consideration of the purchase of the shares of Beauharnois Light, Heat and Power Company, etc.

(24) As a result of the agreement above mentioned, the Syndicate members receive for each part interest \$150, and 40 Class A shares of the Beauharnois Power Corporation Limited, which Class A shares are set up in the books of the Company at \$1 per share and have had a market value as high as \$17 per share, the low price being \$4 per share.

(25) On the above basis the cash profit paid to the members of the Syndicate would amount to \$2,189,000, to which should be added 1,000,000 Class A shares, which were purchased by an additional \$1,000,000.00 part of the consideration for the transfer of the Syndicate assets. The above mentioned \$2,189,000 was paid out of \$27,000,000 received from the sale of the bonds and shares under the agreement with Newman, Sweezey and Company, Limited, and the Dominion Securities Corporation.

(26) *The Marquette Investment Company* is a company controlled by Newman, Sweezey & Company, Limited, and organized for the purpose of acting as trustee and depository and dispersement agent of the Beauharnois Syndicate. (Exhibit No. 59).

SUBSIDIARY COMPANIES

(27) There are also the following wholly owned subsidiaries of the Beauharnois Power Corporation Limited, in addition to the *Beauharnois Light, Heat and Power Company*, namely:—

The Beauharnois Construction Company, having charge of the actual work of construction under contract; and the

Beauharnois Transmission Company, having to do with the actual transmission lines and the transmission of the electric energy to be produced; the

Beauharnois Land Company, in which is vested the lands of the Company, including land acquired in addition to all that required for actual canal construction and which it is hoped to dispose of for industrial sites, residence and other purposes in connection therewith, the

Beauharnois Railway Company, organized to build and operate the construction railway; the

Marquette Construction Company, a Delaware corporation, organized to purchase in the United States and lease to the Canadian Construction Company certain machinery which it is hoped to return duty free to the United States after use on the canal, where it is said to be more readily saleable.

6. AUTHORITY FOR CONSTRUCTION WORK

(1) According to Mr. Henry, actual construction on the north embankment was commenced on the 7th August, 1929, in the vicinity of Lake St. Francis, and on the south embankment on the 23rd April, 1930.

(2) Condition 11 of Order in Council P.C. 422 provides that the Company shall not commence the construction of the works until detailed plans of construction "...have been submitted and approved of by the Minister..."

(3) The work as it is being carried out is not in accordance with the plans referred to in this Order in Council in certain important respects, viz.:

(1) The banks are about 3,300 feet apart, whereas the original plans show a width of about 1,100 feet in the rock section and 4,100 feet in the earth section.

(2) The width at the bottom of the navigation part of the canal is shown in the original plan, Exhibit No. 2a, in one place as considerably less than 600 feet, and in another at considerably more, whereas the actual 27 foot channel is being dug at a bottom width of 600 feet.

(3) The entrance to the canal from Lake St. Francis according to the last plan fyled on the 22nd August, 1930, and as actually being excavated, is some 3,000 feet northerly and nearer the head of the Cedar Rapids than shown on the Plan, Exhibit No. 2A.

(4) The remedial works shown on the original plan have not been approved either by Order in Council or by the Minister.

(5) The Hungry Bay dyke has been breached and a substitute feeder for the old St. Louis feeder dug on the south side of the proposed canal wholly without governmental authority.

(6) Certain questions have been raised as to the rights to pass Order in Council P.C. 422:

(1) Does the Navigable Waters Protection Act give the Governor General in Council the right to authorize the diversion of the water from a navigable river?

(2) Can any of the powers given under that Act to the Governor General in Council be delegated to a Minister, or to anyone?

(3) Is the right of the Governor General in Council limited to the approval of plans already submitted, i.e., can the Governor General in Council approve of plans to be submitted in the future.

(4) Can the Governor General in Council approve of the plans after the work has been done or partly done, or in the alternative is his power limited to approval of work the plans of which have been submitted before the commencement of the work.

(7) Your Committee finds as a fact that the work of construction is proceeding according to plans which have not received the approval of the Governor in Council or of the Minister of Public Works.

7. HUNGRY BAY DYKE

(1) The Province of Canada in 1856 and subsequent year, constructed a dyke along the shore of that part of Lake St. Francis known as Hungry Bay. This dyke at Confederation passed to the control of the Dominion of Canada, and it has since been maintained through the agency of the Federal Department of Railways and Canals. It will be necessary before water can be diverted to the canal from Lake St. Francis that permission be obtained from the Crown in the right of the Dominion of Canada to breach this dyke.

(2) An application was made on the 29th day of July, 1929 for a conveyance to the Company of that part of the dyke opposite the lands owned by the Beauharnois Company, to the extent of 9,064 feet measured along the dyke. This application is now pending.

8. AMBIGUITY IN ORDER IN COUNCIL

(1) Condition Number 3 of Order in Council P.C. 422 provides that "the diversion of water shall not at any time exceed the maximum quantity of 40,000 cubic feet per second." If this means that at no time can the quantity of water diverted exceed 40,000 cubic feet per second, it is doubtful whether 500,000 h.p. can be developed by the use of that quantity of water, even adding thereto the 13,072 cubic second feet obtained by assignment of the Montreal Cotton Company's lease.

(2) Your Committee is of the opinion that any ambiguity in this respect should be removed.

9. CONTROL OF WATER

(1) The present plans do not provide for the control of the water at the entrance to the proposed canal. It has been stated in evidence that for this purpose and for reasons of safety, some method of control should be adopted, whether by way of a dam and gates, or a control lock at this point.

(2) Considerable time was spent by Mr. Henry in an endeavour to establish that proper control could be maintained by the Dominion authorities at the gates leading to the water wheels.

(3) Your Committee was impressed with the idea that there should be some means of control at the entrance to the canal.

10. SITE OF WORKS

(1) The topography of the locality and the ground at the site of the works are of such a character as to render possible and of comparatively easy attainment the large power development contemplated at a quite reasonable cost.

(2) Your Committee is of the opinion that from the physical standpoint a power development on the south shore of the Soulanges section of the St. Lawrence River is fundamentally sound and that with proper safeguards and regulation a navigable canal can be developed synchronously with the power development and utilized as a link in the St. Lawrence Great Waterway, at a reasonable cost to the Dominion of Canada for locks and bridges.

(3) While the present plans are not in accordance with the proposals of the International Joint Board for this section of the river mentioned in their Report of 1926, nevertheless, in view of the amount of money already expended, and of the possibility, as we believe, of the utilization of this canal for navigation purposes, we think that from the navigation standpoint the scheme should not be abandoned.

11. ROBERT A. C. HENRY—VICE PRESIDENT AND GENERAL MANAGER

(1) Mr. Henry is an engineer of considerable imagination. He first became interested in the canalization of the Soulanges section of the St. Lawrence River as early as 1922 or 1923. He then discussed the project with Senator McDougald.

(2) This resulted in an arrangement between them by which Mr. Henry was to make an investigation, Senator McDougald agreeing to finance him up to \$10,000. As a result, a Company called the Sterling Industrial Corporation, Limited, was formed in the office of Messrs. McGiverin, Haydon and Ebbs (Exhibit No. 63). The incorporators were Honourable Andrew Haydon, John Parsons Ebbs, and Mary Hilda Kelly, Belle Fraser and Lila Brennan, stenographers of the City of Ottawa. By the letters patent dated the 5th July, 1924, the Company was empowered to carry on the business of an electric light, heat and power company in all its branches and incidentally thereto has wide powers. The authorized capital consists of 500 shares without nominal or par value and the letters patent provide that the Company shall carry on business with a capital of \$2,500, of which only five shares have ever been issued.

(3) On the same day—the 5th July, 1924—this Company made application to the Department of Railways and Canals for the right to divert from the St. Lawrence River 30,000 c.s.f. at Lake St. Francis and to use the same for power purposes. On the 7th July, 1924, a similar application was made to the Department of Public Works. The Company never acquired any rights and so far as its Minutes show never attempted to do anything other than file these applications. To each was attached a plan, Exhibit No. 62, dated Ottawa, 20th June, 1924, and signed John B. McRae, engineer, and having this note on its face, "This plan has been traced from plans made by the Department of Railways and Canals."

(4) Mr. Henry joined the Department of Railways and Canals in 1912 as Inspecting Engineer of Railways and Structures. He remained in various capacities with that Department until 1923 when he joined the Canadian National Railways on the 1st March of that year as Director of Bureau of Economics. He remained with the Railway's until the 14th February, 1929, when he was appointed Deputy Minister of Railways and Canals, on the recommendation of the Prime Minister, by Order in Council, P.C. 192 (Exhibit 76). He held this position until the 10th March, 1930, and was appointed General Manager of the Beauharnois Power Corporation, Limited, by agreement, dated the 10th March, 1930. His appointment to the Beauharnois Company had evidently been under discussion for some time for Senator McDougald says (Evidence, page 960) that there was an arrangement with him (McDougald) and Mr. Sweezey that Mr. Henry would go in with Beauharnois as soon as he could get away from the Canadian National Railways and that that was some time in 1929 and prior to the 13th January of that year, so that Mr. Henry accepted the position of Deputy Minister at a time when he had an arrangement to go in with Beauharnois. Senator McDougald says he was surprised when he saw a report in the newspaper of Mr. Henry's appointment as Deputy Minister—so surprised that he telephoned from London to Canada, "because my understanding with Mr. Henry before I left Canada was that he

would take up his duties with the Beauharnois Company with Mr. Sweezey and myself just as soon as he could make arrangements to get away from the National Railways."

(5) It is worthy of note that the three Orders in Council numbered respectively 2201, 2202 and 2203, approving of the transfer of the leases from the Montreal Cotton Company all dated the 6th November, 1929, each contain the following:—

The Minister, on the advice of the Chief Engineer of the Department, *concurred in by the Deputy Minister*, recommend that authority be given, etc.

(6) Evidence was submitted that Mr. Henry had not been consulted about any matters pertaining to Beauharnois. His position, however, was to say the least, quite anomalous.

(7) The beneficial ownership of the Sterling Industrial Corporation Limited was and always has been in Senator McDougald and Mr. Henry until the transfer thereof to the Beauharnois Power Syndicate pursuant to the agreement dated the 18th December, 1928. By that agreement, Mr. Henry and his partner, Senator McDougald, were to receive 2,000 units in the Beauharnois Power Syndicate, conditional on the passing of P.C. 422. It was not until August, 1929, that the actual interests of Senator McDougald and Mr. Henry were agreed upon at 50 per cent each but each affirm that it was always understood that they were partners in the transaction, so that during all of the time Mr. Henry was Deputy Minister of Railways and Canals, he had a very substantial interest in the Beauharnois Power Syndicate or, after the 17th December, 1929, in the Beauharnois Power Corporation Limited, an interest out of which he made quite substantial profits as will hereafter appear. He was Deputy Minister of Railways and Canals at the time of the passing of the Order in Council P.C. 422, and was deeply interested in securing the approval of the plans of the Beauharnois project and your Committee is asked to believe that he took no active interest in securing the approval of the Governor in Council. One can easily imagine, however, that in his position as Deputy Minister he threw no obstacle in the way, once the obstacle or nuisance value of the Sterling application had been determined.

(8) Mr. Henry, at his appointment to the Managership of the Beauharnois Power Corporation Limited, also obtained 8,995 shares of that Company at \$1 per share. Your Committee is also satisfied that Mr. Henry participated to some extent at least in the withdrawal of Company's funds for political purposes.

(9) Mr. Henry's connection with Senator McDougald, and their success in despoiling the Company of a large sum of money or money's worth for something that on the evidence was entirely worthless, does not commend him to your Committee as a fit and proper person to continue in the management of this great public utility.

12. MR. R. O. SWEEZEY

(1) Mr. Sweezey seems to have been the principal promotor of the Beauharnois project. He is now President of the Beauharnois Power Corporation Limited, and is a civil engineer by profession.

(2) In 1912 he was engaged by the Royal Securities Corporation to investigate certain water powers, and in 1913 was instructed by the present Lord Beaverbrook, the then President of the Royal Securities, to investigate the water power now known as Beauharnois. A copy of his report is filed as Exhibit No. 123.

(3) Mr. Sweezey states that in 1925 or 1926 Mr. Narcisse M. Cantin brought the matter again to his attention and it is stated by Mr. Cantin in his evidence, and not denied by Mr. Sweezey, that from the 4th April, 1925, to December of 1926, Mr. Sweezey was chief engineer of the Transportation and Power Corporation Limited, the Cantin company.

(4) As early as the 14th October, 1926, Mr. Sweezey had conceived the idea of forming a syndicate to take up the Beauharnois project, and his ideas of how to go about it are outlined in a letter written by him to Mr. Alderic Raymond, brother of Senator Raymond, on that date. In this letter he states: "To place ourselves in possession of all the rights essential to this undertaking we should pursue the following course:—

"1. Acquire the Robert rights which are fundamental in regard to an initial grant which he holds to divert 40,000 c.f.s. He also holds rights granted by charter to expropriate for the proposed canal route. Numerous other incidental rights are included in his holdings which he is anxious to sell, though he wishes to participate partially in the organization syndicate.

2. Acquire the control of the St. Lawrence Waterways and Power Company stock, which is available to us, and upon which we have already a substantial hold.

3. Enlist with our syndicate two or three individuals, who in addition to providing some cash as their fair share, can assist us in getting our rights extended or enlarged so as to develop the entire available flow of the St. Lawrence at this point. As the whole situation is entirely within the Province of Quebec, our influence has to be exerted only in Canadian political circles—that is, at Ottawa and at Quebec. He further says: "In connection with personnel of syndicate, I have in mind the individuals we should enlist with us.... I have hesitated to accept anyone definitely until certain that each and every one is persona grata to all others."

(5) Asked as to who the persons he had in mind were, he at first could not remember. When later recalled and confronted with his answers on a former occasion under oath, he admitted that they were Senator Raymond, Honourable W. G. Mitchell, and Frank P. Jones, the latter of whom was desirable only for his ability to help with the finances.

(6) It is obvious, therefore, that from the very threshold of this undertaking he had in mind that he had to associate with him men who could exert influence in political circles at Ottawa and at Quebec. How well he succeeded remains to be seen.

(7) He states that he had talks with Senator McDougald, "and I was trying to get from Senator McDougald his view as to what the difficulties would be in overcoming the political work to be done." This was probably in 1925 or 1926.

(8) Mr. Sweezey succeeded in enlisting the help of all these gentlemen, first Senator Raymond, who was a subscriber for 800 part interests or units in the first syndicate through the Credit Generale du Canada; Honourable Walter Mitchell, who was an equal partner with Mr. Jones in the units purchased by Mr. Jones from Newman, Sweezey & Company; and Mr. Jones himself; and ultimately Senator McDougald, who agreed to join the ranks on the 18th May, 1928.

(9) On the formation of the first syndicate Mr. Sweezey obtained 600 part interests for his activities up to that time, and he subscribed and paid for 300 units at \$100 per unit. On the transfer of the assets to the second syndicate,

his holdings doubled in number, and at the period of distribution, as of the 17th December, 1929, he appears by the books to have been the holder of 1,000 part interests.

(10) Mr. Sweezey's idea from first to last seems to have been that in order to secure the approval of the authorities at Quebec and Ottawa, it was necessary to deal with a lavish hand with his own moneys and those of the companies concerned. In pursuance of this idea he proceeded to employ a formidable array of legal talent, resulting ultimately in the payment up to the 31st December, 1930, of so called legal fees amounting to \$436,000.

(11) The bills of some of these legal gentlemen show that the work was not of a strictly legal nature, and consisted to a certain extent of lobbying, and in fact one fee of \$50,000 to Senator Haydon's firm was made contingent upon the Beauharnois Light, Heat and Power Company obtaining approval of its plans.

(12) Mr. Sweezey was also, in association with Mr. H. B. Griffith and at least two other unnamed directors, the instrument by which approximately \$300,000 of Company funds were misused, as he alleges for campaign purposes. This is surely contrary to the purposes for which these moneys were borrowed from the public through the issue and sale of the Company's bonds.

(13) Your Committee considers that Mr. Henry as General Manager and Mr. H. B. Griffith, as Secretary-Treasurer, and Director of the Beauharnois Light, Heat and Power Company, and other subsidiaries, are involved in this misuse of Company funds. Mr. Sweezey's further activities in respect to campaign funds will be dealt with in a separate paragraph.

(14) According to the evidence of Senator McDougald, Mr. Sweezey and he had arranged that Mr. Henry should join the Beauharnois Company and the matter had been discussed prior to the death of the then Deputy Minister Grahame Bell, which occurred on the 13th January, 1929. It is, therefore, obvious that Mr. Sweezey must have released him from this arrangement and agreed to Mr. Henry's joining the Department of Railways and Canals at a time when he, Mr. Sweezey, knew that Mr. Henry had arranged to become interested as an employee of Beauharnois and this at a time when Mr. Henry, as the partner of Senator McDougald in the Sterling transaction, had acquired a substantial interest in the Beauharnois Power Syndicate.

13. CAMPAIGN FUNDS

(1) Mr. R. O. Sweezey has admitted in his evidence that he was responsible for the following contributions:—

(2) For contributions for political purposes aggregating \$864,000 and which includes the sum of \$125,000 paid to John Aird Jr., of which mention will be made hereafter. Of this total, approximately \$300,000 were Company funds and the balance was raised by Mr. Sweezey personally and probably at least in part came out of the large profit made on the sale of the Syndicate assets to the Beauharnois Power Corporation and, therefore, indirectly out of the moneys borrowed on the sale of the Company's bonds. Mr. Sweezey states (Evidence page 821) that he contributed personally to the Liberal Party "somewhere around \$600,000 to \$700,000. This large sum was paid to Senators Haydon and Raymond. On page 822, Mr. Sweezey says that the total contributions to the Liberal party would run up well over \$700,000 and in this there was included a sum stated by Mr. Sweezey to be in the neighbourhood of \$100,000 and by Mr. Griffith to be about \$120,000, which were Company funds.

(3) Mr. Sweezey is unable to state how much was paid to them but he and Mr. Griffith agree that out of the sums paid to Senator Raymond, the Liberal Party of the Province of Quebec was to be taken care of. Mr. Sweezey says that he has no knowledge of how much went to the Province of Quebec nor does he tell how much of the total amount was paid each of these two Senators. He, however, ventures the statement that the amount received by Senator Raymond might have been in the neighbourhood of \$200,000.

(4) On page 822, Mr. Sweezey is asked the question, "Then you spoke of contributions to the Conservative party. What amounts were they and to whom were they paid"? Answer—"They were small amounts. Some of them were to help personal friends whom I had been helping, as a matter of fact, for a number of years in their campaign work." Mr. Sweezey spoke of contributing \$6,000 to the campaign of Mr. Leslie Bell and Mr. Bell in his return under the Dominion Elections Act is said to have published this contribution, as required by Section 80 of such Act. Contributions were also made, according to the testimony of Mr. Sweezey and Mr. Griffith, to General McCuaig, understood to be a collector for the Conservative Campaign Fund in Montreal, of \$10,000. Mr. Sweezey is not clear as to whether there were any further contributions to the campaign fund of this party. Mr. Griffith, however, states that there was a contribution to Mr. Cartier and that the total contributions to Conservative candidates or party organizers were \$25,000. Mr. Sweezey, on the other hand, thinks that the amount was \$30,000 but refers to Mr. Griffith for the correct amount.

(5) Contributions were also made to Mr. W. R. P. Parker, President of the Ontario Liberal Association amounting to about \$3,000. There was also a suggestion with reference to a proposed contribution to the Conservative Federal Campaign fund through its organizer, General McRae. This, however, was not made. Asked if the reason for its not having been made was that Mr. Bennett would not accept it, Mr. Sweezey in his reply said "I do not know that but I presume that may be so."

(6) There appears also to have been a contribution of \$20,000 to Mr. Cartier on behalf of the Conservative Party of the Province of Quebec, but it does not appear clearly whether this was included in the sum of \$30,000 above mentioned or in addition thereto. This item of \$20,000 appears in a cheque of the Marquette Investment Corporation, dated the 7th March, 1931, payable to cash, endorsed by Mr. Sweezey and charged to accounts receivable, in respect thereto Mr. Sweezey says "I think probably that must be the item contributed to the Conservative Party in Quebec."

(7) Asked by Mr. Jacobs who got that money, the answer was "That went to the funds of the Conservative Party." Asked who received the money Mr. Sweezey states "Mr. Cartier, I understand it was on behalf of Mr. Houde's party."

THE JOHN AIRD JR. PAYMENT

(8) This leaves but one further item to be discussed,—the sum of \$125,000 paid by Mr. Griffith at the direction of Mr. Sweezey to Mr. John Aird, Jr., of Toronto. This sum, as to \$120,000 thereof, was procured by a rather ingenious device; Mr. Griffith purchased 8,000 shares of the Marquette Construction Company, at \$5 a share, for \$40,000, and immediately purported to sell them to the Beauharnois Construction Company at \$20 a share, for \$160,000, and took out the difference, \$120,000, in cash which he used to purchase through Newman Sweezey & Company Dominion of Canada Bonds at a par value of \$120,000.

(9) Mr. Sweezey says (Page 823): "I know we made a contribution to some one who represented himself as standing up for an Ontario fund of this kind," and that this representation was made to him by Mr. John Aird, Jr. Asked what Mr. Aird said, Mr. Sweezey's answer is: "That he thought a contribution would be in order to the Ontario Conservative Party because we would probably be having a lot more dealings with the Ontario people and that gratefulness was always regarded as an important factor in dealing with democratic governments."

(10) The delivery of the bonds is said to have taken place some substantial time after the last Ontario general election, and the conversation between Mr. Aird and Mr. Sweezey is said to have occurred some months before the delivery of the bonds, which were handed over on the 6th December, 1929.

(11) Mr. Aird says in his evidence that the first interview with Mr. Sweezey took place at the Ritz Carlton Hotel, Montreal, in the early Fall of 1929, at a time when the Beauharnois organization was negotiating for a contract for the sale of electric power to the Hydro-Electric Power Commission from whom they obtained a contract for 250,000 h.p. at \$15 per h.p., on or about the 21st November, 1929.

(12) Mr. Aird, (evidence page 844) is asked whether the receipt of these bonds was on behalf of any political party, and his answer is "No." Asked on whose behalf it was, his answer is: "On my own." Asked this question: "Was it on behalf of anybody, or was anybody interested but John Aird Junior personally in these particular bonds to the extent of \$120,000?" his answer is: "No, sir, decidedly not."

(13) On page 847 of the Evidence there appears the following:

By Mr. Jacobs:

Q. It was not your intention to turn this over to the organization at all?—A. No, I did not give Mr. Sweezey any communication that I was going to do so.

Q. You swear to that?—A. Yes.

(14) On page 849, by Mr. Jacobs:

Q. You would swear you did not, directly or indirectly, represent to Mr. Sweezey that you were an emissary of the Conservative political organization in Toronto?—A. Yes.

Q. You swear to that?—A. Yes, I do.

(15) Mr. Aird states that he belonged to no political organization of any kind and had not taken any interest in party politics, and also that the arrangement between him and Mr. Sweezey was purely a personal one between the two of them.

(16) Whether the truth lies on one side or the other, it is clear there is no evidence before the Committee that would indicate that any of these bonds have reached any political organization, or any person authorized to receive campaign funds.

(17) Mr. Aird's statement is supported by the evidence of various Bank officials as per details set out hereunder. Mr. Aird further stated that the coupons were personally collected by Mr. Aird. (Evidence Page 974).

(18) The evidence establishes that the \$120,000 par of bonds handed to Mr. Aird by Mr. Griffith on the 6th December, 1929, have been dealt with as follows:

(A) Held for safekeeping or as collateral by the Royal Bank of Canada, the Canadian Bank of Commerce, and the Bank of Nova Scotia.....	\$ 65,000
(B) Sold.....	5,000
(C) Exchanged.....	50,000
	<u>\$ 120,000</u>

The detail of the bonds exchanged is:—

(1) \$10,000 for £3,100 G.T.P. 1962.....	£ 3,100
£2,600 held at Canadian Bank of Commerce, account Concrete Mas-	
onry.....	£ 2,600
Sold.....	500
	<u>£ 3,100</u>
(2) \$10,000 for \$11,000 Province of British Columbia 1955.....	\$ 11,500
Later exchanged for \$11,500 Province of Alberta 1957—of which held	
at Canadian Bank of Commerce for safe keeping.....	\$ 9,500
Held at Royal Bank, account Champlain Construction Co.....	2,000
	<u>\$ 11,500</u>
(3) \$10,000 for \$11,000 Toronto Harbour Commission 1953.....	\$ 11,000
Held at Canadian Bank of Commerce for safe keeping.....	\$ 5,000
Exchanged for Eglinton Hunt.....	1,000
Sold.....	5,000
	<u>\$ 11,000</u>
(4) \$10,000 for \$12,000 Province of Saskatchewan 1957.....	\$ 12,000
Held at Aird, McLeod & Co. as collateral.....	\$ 4,000
Held at Royal Bank, account Champlain Construction.....	8,000
	<u>\$ 12,000</u>
(5) \$10,000 for \$12,000 Hydro-Electric Power Commission 1957.....	\$ 12,000
Held at Royal Bank on account Champlain Construction.....	\$ 12,000
	<u>\$ 12,000</u>
<u>\$50,000</u>	

SUMMARY OF SALES

Bonds originally obtained from Griffith.....	\$ 5,000
Grand Trunk Pacific £500 say.....	2,500
Toronto Harbour Commission.....	5,000
	<u>\$ 12,500</u>

Mr. Aird's evidence is that the proceeds of bonds sold were expended for his personal purposes.

(19) Neither Mr. Sweezey nor Mr. Griffith pretended to speak with exactitude as to the actual amount of moneys contributed for political purposes. In this connection Mr. Sweezey says: "It was a very distasteful thing to me and I personally preferred not to know or remember much about it."

(20) Your Committee considers that return should be made immediately of any moneys improperly taken from the companies' funds for political subscriptions by those responsible for their extraction.

(21) It is also to be observed that no pretence is made that the personal subscriptions were because of the adherence of Mr. Sweezey to any particular party and we are of the opinion that they were shamelessly, wastefully and needlessly made for the express purpose of obtaining favourable consideration of the Company's proposals to the Government.

(22) That Mr. Sweezey was solicited for these contributions appears on page 822 of the Evidence, where in answer to Mr. Lennox he states: "I could not deliver that amount of money in one fell swoop. I had to scratch it up where I could from time to time." Further on, in speaking of the \$10,000 campaign fund to General McCuaig, Mr. Lennox remarked: "You did not treat us very generously." Mr. Jacobs: "The fact that the party is in power is some indication." Witness: "They did not press me so hard, sir."

(23) The evidence on Page 826:

By Mr. Lennox:

Q. You said Senators Raymond and Haydon were designated as the proper persons to whom you should pay this fund? Who designated them? Answer: "Nobody specifically designated them; I just happened to know it; they came and told me they were."

14. SENATOR HAYDON

(1) The first connection of Senator Haydon with the Beauharnois project appears to be in 1924, when his firm incorporated for Senator McDougald and Mr. Henry the Sterling Industrial Corporation on the 5th July of that year and made the application of that Company to the two Departments of the Government for the right to divert 30,000 c.f.s.

(2) His firm was retained by Mr. Sweezey for the Beauharnois Power Syndicate in the fall of 1928 under somewhat peculiar circumstances.

(3) Senator Haydon has been a member of the Senate since March 11th, 1924, and was known to Mr. Sweezey to be a member of the Liberal Party who collected campaign funds. The retainer was of an unusual character. The firm demanded in excess of \$30,000 per year but Mr. Sweezey demurred and finally arranged that the firm of McGiverin, Haydon and Ebbs would be paid the sum of \$50,000, conditionally upon approval of its application by the Governor in Council. On October 3rd, 1928, this firm received a cheque from the Marquette Investment Company for \$7,500 for legal services. On page 728, Mr. Sweezey says in an interview with Mr. McGiverin, "However, by a compromise I agreed that if the thing got through, I would prefer to pay on that basis; if it went through I would pay him \$50,000, and a retainer for three years at \$15,000...it is human nature to work harder at a price." Asked, in the event of failure what would happen: Mr. Sweezey's answer was "Well, he would have his expenses. At least I presumed that he would have to have his expenses. . .I was sure he would charge me something for it." This arrangement was apparently made, according to Mr. Sweezey, some time prior to the 2nd October, 1928 (Evidence Page 729).

(4) On the 2nd October, 1928, a transfer was made to Mr. Ebbs of the Haydon firm, from Mr. Clare Moyer of the interest Mr. Moyer then held in the Beauharnois Power Syndicate for Senator McDougald.

(5) Mr. Ebbs, Senator Haydon's partner, acted as Syndicate Manager for some time representing Senator McDougald. The order in Council was approved, Senator Haydon's firm was paid \$50,000 and thereafter received several cheques in pursuance of the arrangement made with Mr. Sweezey by which that firm was to be paid a retainer of \$15,000 per year.

(6) Senator Haydon was a man of note and standing in his party and was recognized as one of the official organizers of the Liberal party in Canada. Senator Haydon became the recipient from Mr. Sweezey and the Beauharnois Company of sums of money for campaign purposes, said to be in excess of half

a million dollars, and it is also to be noted that throughout this firm did not render any detailed bill for professional services, as shown by the vouchers (Exhibit Nos. 85 to 87 inclusive).

(7) In these circumstances, your Committee is of opinion that the acceptance of the above mentioned contingent retainer and of the \$50,000 involved, and of the campaign funds by Senator Haydon cannot be defended and is strongly condemned.

15. SENATOR RAYMOND

(1) Senator Raymond was appointed to the Senate on the 20th December, 1926. He, voluntarily, after the permission of the Senate had been granted, appeared before the Committee on the afternoon of the 16th July, 1931, and stated that he had subscribed on the 1st April, 1927, at the suggestion of Honourable Mr. Mitchell and Mr. Frank P. Jones, for 800 units of the Beauharnois Syndicate at a price of \$30,000, which he paid. These became 1,600 units in the second syndicate and as was his right, he subscribed for 1,600 further units, in the name of J. R. Lefebvre, and made his holdings 3,200 units. On the whole transaction he realized as of the 17th December, 1929, \$529,600 profit and 14,040 shares of Class A stock of the Beauharnois Power Corporation, Limited. Senator Raymond sold all his originally acquired units at the same time that Mr. Frank P. Jones sold his at \$550 per unit, and later Senator Raymond bought from W. G. Mitchell 350 units and from R. T. Fuller one unit in the Beauharnois Power Syndicate and he held these at the dissolution of the Syndicate on the 17th December, 1929. His total profit was as above mentioned. He states that neither at Quebec nor at Ottawa did he exert or attempt any political influence on behalf of the Beauharnois applications. His evidence is that he "did nothing to push the deal." On page 794 of the evidence, Senator Raymond was asked:—

Q. Then are we to understand you to say, that having this interest in this project and knowing that there was a very strong opposition and a big fight being put up, you never turned a hand to help it at all?—A. I do not know if there was anything in my power to do towards helping it.

Q. Well, you could help?—A. I thought the only help that I could give was to put my money in.

Q. I may take it then, from what you say, that we have your unequivocal statement that at no time did you attempt to exert your personal influence on behalf of this project?—A. At no time.

(2) At the conclusion of his evidence one of the members of the Committee expressed the view that he ought to be commended for his frankness in giving his evidence. It was, however, later disclosed in evidence that according to the bill of Messrs. Geoffrion and Prud'homme, Counsel for the Beauharnois Syndicate (Exhibit No. 114) from September 10, 1927, to May 23, 1928, there appear some sixteen entries charging for interviews with and telephones to and from Senator Raymond. An interview appears to have taken place on one occasion with Honourable Mr. Mitchell and on another occasion in Ottawa with Senator McDougald.

(3) On page 391, Mr. Frank P. Jones states "I certainly asked Senator Raymond over and over again if he could not do something to get some action."

(4) It transpired when Mr. Sweezy returned to give further evidence that Senator Raymond had received from Mr. Sweezy some \$200,000 of campaign funds for the Liberal party. The commendable frankness would seem to require that Senator Raymond should have disclosed this to the Committee if he wished the Committee to understand that he was stating fairly his connection between the Government and the Beauharnois promoters.

(5) In view of Mr. Sweezy's attitude throughout and his views as to the necessity for political influence, it is hardly conceivable that Mr. Sweezy would pay this large sum of money over to Senator Raymond unless he at least was satisfied that the Senator's influence had been or would be worth the money, and it is remarkable that Senator Raymond did not insist on making some explanation of his position in this regard, in view of his evidence.

16. SENATOR WILFRID LAURIER McDUGALD

(1) Senator McDougald was first summoned to the Senate on the 25th June, 1926, but owing to the dissolution of Parliament was not then sworn in and his appointment lapsed. He was again summoned in October of that same year and was sworn in the following year. Since 1922, except for a short interval in 1926, until 1930, Senator McDougald occupied the position of Chairman of the Montreal Harbour Board and, as he stated in evidence, assumed a position of high responsibility in connection with the development of the St. Lawrence Deep Waterway.

(2) In May, 1924, the then Dr. McDougald was appointed a member of the National Advisory Committee, whose membership included the Honourable G. P. Graham, as Chairman, and Honourable Clifford Sifton, and several gentlemen interested in existing hydro-electric power developments.

(3) On the 20th April, 1928, Senator McDougald was appointed a member of the Special Committee of the Senate to inquire into and report from time to time on the matter of the development and improvement of the St. Lawrence River for the purposes of navigation and production of electric current and power and matters incidental to such a project. That Committee held several meetings in the month of May, 1928, and to which reference will be made more specifically hereafter.

(4) In 1923, Mr. McDougald became associated with Mr. R. A. C. Henry, as has been previously pointed out in this report, and as a result the Sterling Industrial Corporation Limited was incorporated and applications made to the Departments of Public Works and Railways and Canals on the 5th and 7th July, 1924, as already indicated.

(5) From this small beginning, the interests of Senator McDougald have expanded until at the time of his giving his evidence he was Chairman of the Board of the Beauharnois Power Corporation, Limited, elected on the 20th of December, 1929 the holder of Management Preferred shares; a director of the Beauharnois Light, Heat and Power Company, the Beauharnois Construction Company, the Beauharnois Land Company, and the Beauharnois Transmission Company.

(6) This expansion is almost comparable to the present Beauharnois project as compared with the original St. Louis feeder.

(7) The application of the Sterling Industrial Corporation was allowed to lie dormant until some time in 1928. On the 18th of May, 1928, Senator McDougald agreed to take over 800 units of the first syndicate which had been subscribed for by Mr. Clare Moyer on the 4th of April, 1928, the day upon which that syndicate was dissolved, and upon which day a payment of \$15,000 was made by Mr. Moyer, of moneys which he says he received in cash from Mr. Winfield Sifton. A further payment was made on the 18th of May, in an amount of \$15,000 out of moneys which Mr. Moyer says were received by him from Mr. Sifton by way of a bank draft containing no information as to the person who was providing the funds.

(8) The 800 units thus acquired by Senator McDougald became 1,600 units on the formation of the second syndicate, and he, in the name of Mr. Moyer, subscribed as he had the right to do for 1,600 more units at a price of \$100 per unit, and for which he agreed to pay \$160,000 and on which at the dissolution of the syndicate on the 17th December 1929, he had paid \$80,000.

(9) In the meantime, however, namely on the 2nd October, 1928, these had been transferred from Mr. Moyer to Mr. John P. Ebbs, a member of the Haydon firm, by reason of some instructions from Senator McDougald, about which there seems to be some insolvable mystery, and about which there need not have been any mystery at all if the transactions were an ordinary business one.

(10) As previously pointed out, Senator McDougald through his representative, Mr. Ebbs, acquired for the five issued shares of the capital stock of the Sterling Industrial Corporation, Limited, 2,000 part interests in the second syndicate. These units were given for a corporation the rights of which, as has been pointed out by Mr. Cameron, Chief Engineer of the Public Works Department, on page 1019 of the evidence "would be of no value". The agreement was made in the fall of 1928, and the Beauharnois Company considered these shares to be of such value that they still remain endorsed in blank, and have never been transferred on the books of the Company. It can hardly be pretended that this Company had any value, even as suggested, any "nuisance value" or was or could be thought to be any serious obstacle in itself to the application of the Beauharnois Light, Heat and Power Company to the Governor General in Council then pending. If so, there were two former applications in the Department, one of which at least was based on an alleged acquisition of the Robert rights, which rights were the foundation of the Beauharnois application. Still, the carrying out of the agreement was made conditional upon favourable action by the Governor General in Council, and it is beyond belief that had that Company not been owned by Senator McDougald, who represented himself to be a close friend of the administration, and R. A. C. Henry, soon destined to become Deputy Minister of Railways and Canals, or others equally influential, the Beauharnois Power Syndicate would have hardly considered paying for it even the nominal amount that had been subscribed as its capital stock, much less 2,000 units, which ultimately became \$300,000 in money and 80,000 shares of the Beauharnois Power Corporation Limited but would doubtless have received the same consideration as was accorded the other prior applicants—namely the privilege of being completely ignored.

(11) It is suggested that the handing over of this large number of units was in order to induce Mr. Henry to go over to the Beauharnois Company. Why any inducement, other than a doubling of his salary which actually occurred, should have been necessary in order to induce the man who had for at least six or seven years been most anxious to be connected with a Beauharnois project is difficult to understand, and your Committee cannot accept that as the explanation. On the contrary we are convinced that the "nuisance value" consisted in the necessity of a large inducement to Senator McDougald in order that he, a possible obstacle in the attainment of the objects of the syndicate, might become so vitally interested therein that any possible opposition on his part might be obviated.

(12) That Senator McDougald was a factor in the success of this venture is apparent from the Proceedings of the Special Committee of the Senate above referred to, of which he was a member. It appears that on the 31st of May, 1928, he was instrumental in having Mr. Henry, then his partner in the Sterling

Company, come before that Committee and answer certain questions. These questions had (See page 215 of the Proceedings) been prepared beforehand by Senator McDougald and submitted to Mr. Henry.

(13) Mr. Sweezy in his evidence makes it very clear that the reason for his having done some of the extraordinary things which he did do was that time was of great importance from the standpoint of financing the enterprise, owing to the threatened financial crisis.

(14) On the 25th May, 1928, Mr. Aimé Geoffrion, Chief Counsel for the Beauharnois Syndicate, and who according to his bill for professional services had a number of interviews, starting on the 17th December, 1927, with Senator McDougald, wrote to Senator McDougald urging that there was "no reason for delaying the application to the Dominion Executive for approval of the Beauharnois plans under the Navigable Waters Act."

(15) The last question which Senator McDougald asked Mr. Henry on this occasion, on the 31st of May, 1928, was as follows:

(Page 232 of the Committee's Proceedings)

Hon. Mr. McDougald: The last question which I have, Mr. Henry, is, in your opinion should the improvement of the St. Lawrence Waterway be gone on with as soon as possible, and if so, why?

It is to be recalled that thirteen days previously, on his own testimony, Senator McDougald had agreed to become interested in this enterprise to the extent of 800 Part Interests in the Beauharnois Syndicate.

(16) On the 19th of April, 1928, Senator McDougald in a speech delivered by him from his place in the Senate stated: "I want to say here, and to say it with emphasis, that I do not own a dollar's worth of stock in this enterprise, and have no interest in or association with that Company in any way, shape or form"... "So far as I myself am concerned I cannot add too much emphasis to my denial of the suspicions and aspersions which these despatches" (referring to despatches of the Toronto Mail and Empire and the Globe of April 18, 1928) "have cast upon me as a member of the Advisory Committee, as a member of this honourable body, and as a private citizen."

(17) On the 20th of May, 1931, Senator McDougald, in referring to his former statement on this subject, and the date thereof, the 19th of April, 1928, made the following statement from his place in the Senate: "Honourable Members of the Senate, before the orders of the day I rise on a question of privilege. According to the newspapers of this morning my honour and integrity as a member of this House have been attacked in another place, and I desire to draw attention at once to a statement which I made in the Senate in April, 1928, regarding my position in the much-discussed Beauharnois Power Company. Newspaper articles had reflected on myself and other members of the National Advisory Committee reporting on the St. Lawrence Waterways. It was insinuated that our decisions and recommendations were influenced by personal interest in power development on the St. Lawrence. In this house I stated at the time that I had no interest in the Beauharnois Power Company or in the Syndicate. That was absolutely true and correct. I may say at once that up to that time..." (that is April 1928) "I had been invited on many occasions to become a member of that syndicate but had always declined. After that date I was asked again, and had the whole project investigated from every angle. When I was satisfied that it was a proper project for me as a member of this Senate, as a business man, and as a citizen of Canada, to take a financial interest in, I agreed to do so. Some six months later, in October, 1928, I took an interest in the Beauharnois Syndicate."

(18) On Page 930 of the Evidence appear these Questions and Answers:

By the Chairman:

Q. That is not a correct statement, Senator, I suggest to you?—

A. I suggest, Sir, that it is a correct statement.

Q. Then your evidence yesterday was wrong, because you bought from Sifton in May?—A. I did not appear in it until October. Mr. Ebbs was my representative in October, and I became active in it in October.

Q. Is that your explanation for that statement?—A. That is my explanation for that statement. I was in the syndicate—

Q. Why, of course you were in the syndicate; here is your evidence?

—A. The end of May, 1930, and not when I made the speech in the Senate.

Q. You say in your speech, distinctly that in October, 1928, you first took an interest in the Beauharnois Syndicate. Yesterday in your sworn testimony you admitted that you had purchased from Sifton in May, 1928?—A. That is correct.

Q. I suggest to you that your statement in the Senate was entirely wrong?—A. It may have been ambiguous, but it was not wrong. What I meant was I came into it in October through Mr. Ebbs. That is the first time I came into it..."

Q. Just before you go on with that, Mr. White, I want to complete the question I was putting to the Senator a moment ago (To the witness). While you were making this ambiguous speech, as you call it now, in the Senate on the 20th May, 1931, of course you were interested with Mr. Henry in the Sterling Industrial Corporation— A. That is right.

(19) Further in his speech on the 20th May, 1931, Senator McDougald said: "I might add that I paid into the syndicate dollar for dollar with every other member of it."

(20) As previously pointed out in this Report, Senator McDougald, Senator Raymond, and Mr. Frank Jones, bought their units in the first syndicate for many fewer dollars per share than any other of the members, except possibly Mr. Sweezey who got some of his for a consideration other than cash.

(21) It is also significant that Senator McDougald received considerable sums of money from the Company for travelling expenses.

(22) How one holding the high offices to which he had been called, as Chairman of the Montreal Harbour Board, member of the National Advisory Committee on St. Lawrence Waterways, a Senator of Canada, and a member of the Special Committee of the Senate, above referred to, and as he himself has stated, having a high regard for his public duties, should allow his private interest to so interfere with his public duty that he found it necessary, speaking from his place in the Senate to be "ambiguous" and incorrect, it is difficult for your Committee to understand.

(23) Senator McDougald's actions in respect to the Beauharnois project cannot be too strongly condemned.

17. Mr. James B. Hunter, Deputy Minister of Public Works, and Mr. Kenneth McKenzie Cameron, Chief Engineer of that Department were called as witnesses and gave evidence. The Committee desires to say that the evidence of neither of these officers appeared to be given in the manner which one might expect from Departmental Officials.

18. PRESENT FINANCIAL POSITION

(1) The Consolidated Balance Sheet of the Beauharnois Power Corporation Limited and subsidiaries, as of the 31st December, 1930, discloses:—

1. Capital Stock—	
5 Management Preferred Shares, no par.....	\$ 5 00
1,799,995 Class A Common Shares, no par.....	1,799,995 00
	<u>\$ 1,800,000 00</u>
2. Funded Debt—	
Collateral trust sinking fund 6% bonds, due 1st October, 1959.....	30,000,000 00
	<u>\$31,800,000 00</u>

The assets consist of—

Cost to date of property rights and power development in the course of construction.....	\$28,768,816 53
Securities on deposit with the Quebec Provincial Government and the Hydro-Electric Power Commission of Ontario, etc.....	1,021,385 00
Investments (Brubacher et al).....	200,168 00
Sundry accounts receivable.....	221,434 67
Cash and marketable securities held by the Royal Trust Company in escrow.....	2,325,546 67
Cash on hand and in bank.....	186,130 73
	<u>\$32,723,481 60</u>
Less sundry liabilities.....	923,481 60
	<u>\$31,800,000 00</u>

The item of \$28,768,816.53 is made up as follows—

Real estate.....	5,189,783 82
Construction accounts.....	6,193,497 17
Equipment and temporary construction less depreciation.....	3,012,337 33
Engineering expenses.....	1,081,431 59
Interest during construction.....	1,338,795 43
Property rights and interest.....	11,357,888 87
Miscellaneous.....	595,082 32
	<u>\$28,768,816 53</u>

The item for property rights and interest of \$11,357,888.87 is made up of the items set out in Exhibit No. 127, and consists in part as follows:—

Issue of 10,000 part interests at \$100 each to members of the Beauharnois Syndicate, as of 4th April, 1928, as part consideration for the taking over of assets and undertaking of Beauharnois Syndicate.....	\$ 1,000,000	
Less net book value of assets acquired.....	261,000	\$ 739,000
Issue to J. P. Ebbs, 2,000 part interests Beauharnois Power Syndicate, consideration for acquisition of capital stock of Sterling Industrial Corporation.....		200,000
Amount paid to Beauharnois Power Syndicate 17th December, 1929, as part consideration for the taking over of Beauharnois Power Syndicate undertaking.....	\$ 4,750,000	
Less net book value of assets acquired.....	2,500,000	2,250,000
		<u>\$ 3,189,000</u>

NOTE.—This figure represents the profits made by the Syndicates and includes \$1,000,000 which was used to purchase 1,000,000 shares Beauharnois Power Corporation at \$1 per share—the actual cash profit to the Syndicate members being \$2,189,000.

Further items in Exhibit No. 127 are:—

Discount of 10% on issue of \$30,000,000 Beauharnois Power Corporation Limited, 6% collateral trust sinking fund bonds, due October 1, 1959, underwritten at 90.....		\$ 3,000,000
770,000 shares of Beauharnois Power Corporation, Class A Common stock issued to under-writers, on which a book value of \$1 per share was placed.....		770,000
Purchase by Beauharnois Construction Company of 8,000 shares of capital stock of Marquette Construction Corporation at \$20 per share.....	\$ 160,000	
Less issued price.....	40,000	120,000
		<u>\$ 7,079,000</u>

An unaudited statement of the 31st of May, 1931, exhibit No. 128, as compared with the Consolidated Balance Sheet as of the 31st December, 1930, disclosed that the property account had increased by \$5,781,185.74 to a total of \$34,550,002.27, as compared with \$28,768,816.53.

The Royal Trust Company escrow fund had been decreased by \$1,430,396.67 for payments made to the Company for outgoings. Cash on hand had decreased by \$113,857.31.

(2) In the liabilities the most important increase is a bank loan of \$3,500,000 secured by the hypothecation of \$5,250,000 of bonds of the Beauharnois Light, Heat and Power Company, being part of an issue of \$20,000,000 bonds authorized for temporary purposes on the 15th day of January, 1931. At present the bank loans are, according to Mr. Griffith, about \$6,000,000 secured by the hypothecation of \$9,000,000 of these bonds.

(3) Accrued interest of bonds had been decreased by \$150,000 which means that having regard to the monthly accrual of interest amounting to \$150,000 in the interval between December 31st, 1930, and May 31st, 1931, \$900,000 of bond interest had been paid. Miscellaneous accounts payable had increased by \$881,770.75 to an amount of \$1,355,252.35.

(4) As the situation now stands, the promoters of the Beauharnois Project involving the exploitation of a great natural resource have been able to secure to themselves a return of all moneys advanced by them or any of them, a profit of \$2,189,000 in cash and 1,000,000 Class A Common shares, which, if saleable at the market quotation would at one time have been worth \$17,000,000 and at to-day's quotation of \$4 per share, would be worth \$4,000,000. This cash profit was paid out of moneys borrowed by the Beauharnois Power Corporation Limited by the sale of its bonds.

(5) According to Mr. Henry, in order to complete the project up to the point where 500,000 h.p. will be produced, they will require a further sale of bonds in a capital amount of \$46,000,000. If this were accomplished the power project would have been constructed completely on borrowed money and the promoters would be in control of this vast enterprise owning 1,620,000 of the Class A shares out of a total issue of 1,799,995 and also the 5 Management Preferred shares which for 10 years give to the under-writers practical control of the Company's affairs and all of this without the present investment of any money.

Your Committee Recommends:

1. That the Parliament of Canada take such action as may be within its power, and without prejudicing the rights of the Province of Quebec, to procure the development of this project in such a manner as will best serve the people of Canada.

2. That should the rights of the Dominion and the Province of Quebec come in conflict, every effort be put forth to arrive at a satisfactory agreement, so that the project may not be imperilled by delay.

3. That definite action be taken to preserve the rights of navigation and the complete jurisdiction of Parliament in respect thereto.

4. That the Order of Reference, the Reports of the Committee, the Minutes of Proceedings, the Minutes of the evidence taken, and the exhibits filed, be printed as an appendix to the Journals of the House.

5. That a copy of this report be remitted to the Speaker of the Senate for the information of that House.

6. That such of the Exhibits as have not been read into the record and are not on departmental files and were referred to be copied and the originals thereof be returned to the person producing the same.

All of which is respectfully submitted.

A unanimous vote of thanks was tendered by the other Members to Hon. Mr. Gordon for the manner in which he discharged his duties as Chairman of the Committee.

The Committee adjourned *sine die*.

JOHN T. DUN,
Clerk of the Committee.

GOVT PUBNS

BINDING SECT. JUL 2 1980

